Economic and Social Efficiency as Contemporary Criteria for Assessing Business Performance

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***Abstract*— The article addresses the issue of business performance assessment from both economic and social perspectives. The aim of the paper is to present and compare classical and modern criteria of efficiency evaluation, as well as to propose their integration in the context of contemporary economic challenges. The study is of a theoretical and review nature and covers both the traditional economic approach, defining efficiency as the relationship between inputs and outputs, and modern concepts such as Corporate Social Responsibility (CSR), sustainable development, ESG and Socially Responsible Investment (SRI). The paper presents a classification of efficiency definitions, highlights selected methods of measurement, and discusses the role of social criteria in evaluating the effectiveness of business activities. The findings indicate that economic and social efficiency should not be treated as competing perspectives but as complementary elements of a modern framework for assessing business performance.**

Keywords— economic efficiency; social efficiency; CSR; ESG; SRI; business performance assessment; sustainable development.

I. INTRODUCTION

The modern economy is characterized by the increasing complexity of economic processes and dynamic changes in the social, technological, and regulatory environments. Under these conditions, assessing business performance cannot be limited solely to traditional financial criteria such as profit, profitability, or productivity. Social and environmental aspects, which reflect business's responsibility to stakeholders and its contribution to sustainable development, are also gaining in importance. Economic and social efficiency are therefore becoming complementary criteria for assessing business performance, creating a framework for modern management concepts in which profit is not an end in itself, but one element of a broader responsibility.

Various approaches to efficiency assessment are developing in parallel in the literature and in business practice. On the one hand, they are based on classical economic theories that define efficiency through the ratio of inputs to outputs. On the other, they increasingly incorporate concepts derived from business ethics, corporate social responsibility (CSR), sustainable development, and contemporary non-financial reporting standards such as ESG. Practice shows that both dimensions are interconnected and complement each other – long-term financial stability is impossible without a responsible approach to social and environmental issues.

The purpose of this article is to present and compare economic and social criteria for assessing the effectiveness of business operations, as well as to attempt to integrate them in the context of contemporary economic challenges. Particular attention is paid to the classification of efficiency definitions, methods of measuring them, and the place of social criteria in the context of assessing the effectiveness of economic activities. The analysis is theoretical and review-based, encompassing both the achievements of classical economics and modern approaches, including the concepts of CSR, ESG, and SRI. It should be noted that this article deliberately omits detailed considerations of theoretical approaches to assessing the effectiveness of public spending, which are covered more broadly in another publication by the author. The aim of this study is to focus on the integration of economic and social efficiency criteria in relation to business operations.

To achieve the goal, an analysis of the subject literature, a classification method and a deduction method supported by reasoning by analogy were used.

The article is divided into four parts. The introduction presents the motivations for this topic and its significance for management theory and practice. The next section presents the evolution of the literature on efficiency, followed by a

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discussion of economic and social criteria for assessing business performance, along with selected measurement methods. Subsequent sections are devoted to comparing and classifying definitions of efficiency and analyzing contemporary trends in incorporating social and environmental aspects into organizational performance assessment. The summary concludes with a summary that emphasizes the importance of integrating both dimensions of efficiency for the development of businesses and their environments.

II. HISTORICAL APPROACH TO THE CONCEPT OF EFFICIENCY AND DEFINITIONAL PROBLEMS

Reflections on efficiency have been a part of human history ever since people began to engage in activities with the expectation of a specific outcome. Subsequent questions have been raised about the amount, type, and quality of resources employed, and whether the results achieved are satisfactory. The civilizational and social determinants of human functioning, the development of economic activity, and the state have only complicated the issue of efficiency. Theoretical and practical research on efficiency is a crucial element of a centuries-old cognitive process, and although the accumulated body of knowledge is significant, efficiency remains a constant subject of scientific interest. J.G. March and RI Sutton even argue that research on the nature of efficiency is the most permanent process in (management) science (March and Sutton , 1997, pp. 698–706; cited in: Zbierowski , 2017, p. 18). The literature on the subject generally agrees that efficiency is a multifaceted, multidimensional, multi-cross-sectional, and immeasurable concept. (Leszczyńska, 2004, p. 62). The term "efficiency" etymologically comes from the Latin efficere / efectus – to bring about an effect/result. However, this understanding of the concept of efficiency, and not the etymology of the word, can be found in ancient Greece, where the word "economy" (oikos – home, nomos – law, rule) encompassed activities aimed at profitable (effective) management of the family home and property (Nowa Powszechna Encyklopedia PWN, 1995, vol. 2, p. 213). Xenophon (ca. 430-355 BC) in his "Economics" 380 BC writes that Socrates (Xenophon attributes this definition to him) defined economics as "the branch of knowledge by which a man increases his wealth," that wealth is "identical with the totality of one's property," and that property "is that which is useful for one's livelihood." Later in his work, Xenophon states that there are two ways of increasing wealth, which determine two aspects of efficiency (Huerta de Soto , 2010, p. 11):

- static,
- dynamic.

Static efficiency means positive actions (management) of available (given) resources in such a way as to avoid their waste. For Xenophon, effective home management should lead to maintaining it in good condition, carefully supervising resources, and ensuring their care (Huerta de Soto , 2010, p. 11).

Dynamic efficiency involves taking actions that increase one's resources. Creativity and entrepreneurship, such as trade and speculation, are key to increasing the amount of goods one possesses, not effort to avoid losing one's wealth (Huerta de Soto , 2010, p. 12). The division of efficiency presented by Xenophon remains a subject of analysis to this day and serves as a basis for constructing new approaches and understandings of efficiency. Since Xenophon's time, efficiency has become an interdisciplinary category, of interest to many sciences, particularly economics, management, and praxeology. The widespread use of the terms "effective," "effectiveness," and "effective," "effective," and "rational," has also led to overuse of the term in science and, consequently, definitional problems (Winkler, 2010, p. 105).

Efficiency is an ambiguous concept and requires definition in practice, depending on the topic under discussion. In Polish studies, the widespread translation of works from and into English creates an additional complication. The word " effect " in English denotes a goal, result, but also an outcome (Holstein-Beck, 1987, p. 10). Therefore, in English, and therefore also in scientific works, the distinction between effectiveness and efficiency stems from the context of the narrative. Therefore, B. Ziębicki writes that adopting the interpretation that in English studies " efficiency " means effectiveness and " effectiveness " means efficiency is a far-reaching simplification (Ziębicki, 2010, p. 635). However, the difference is visible, even at the semantic level, because effective action encompasses both expected and unexpected effects, whereas effectiveness solely encompasses the consequences of intentional action (Lisiecka, 2017, p. 251). It should also be added that T. Pszczółkowski wrote that " effectiveness " is efficiency considered in the context of organizational theory (Pszczółkowski, 1977, p. 12).

The literature on the subject offers numerous definitions of efficiency, the essence of which depends on the approach adopted by the authors. Table 1 presents definitions of efficiency formulated based on the assumptions of five selected approaches.

TABLE 1. SELECTED DEFINITIONS OF EFFICIENCY.

Effectiveness as a condition/element of achieving efficiency	Economic activities should be performed efficiently, i.e. effectively and economically (Gasparski, 2008, p. 74).
	In the narrow sense, it identifies efficiency with the praxeological category of economic efficiency, while in the broad sense the components of efficiency are: effectiveness, profitability and economic efficiency (Dudycz , 2008, pp. 13-14)
	Efficiency is the use of economic resources in the most effective way (Samuelson , Nordhaus , 1998)
Efficiency as a criterion for assessing effectiveness	Efficiency refers to the degree of achieving the assumed goals at minimum costs or maximizing the degree of achieving the goal at assumed costs (Lubińska, 2009).
	Effectiveness is a measure of efficiency and effectiveness, a measure of the extent to which set goals are achieved (Stoner , Freeman, Gilbert, 2001, p. 610).
	Efficiency is a quantification of effectiveness (Jajuga, Pluta, 2002, p. 965).
	An enterprise can be: effective and efficient, effective and ineffective, ineffective and

Effectiveness and efficiency as independent categories	efficient, ineffective and ineffective (Marciniak, 1995).
	doing things right" things right), while effectiveness is "doing the right things" (doing the right things), effective actions do not necessarily have to be efficient and vice versa (Dudycz , 2008, pp. 13-14).
	Effective work may be ineffective, and efficient work may not necessarily be effective (Sidor-Rządkowska , 2005).
Efficiency = productivity/performance	Efficiency in the economic sense is the ratio of the value of the obtained effects to the input of factors used to obtain them (Dudycz , 2008).
	In technical and economic terms, it is understood as efficiency (Hamrol, 2008).
	The closest synonym of the concept of efficiency is productivity, the so-called general productivity, understood as the ratio of the total results of economic activity to the total resources used (Dudycz , Tomaszewicz, 2007).
Efficiency understood as the allocation of resources in the Pareto sense	Efficiency is the maximization of production resulting from the proper allocation of resources, given the constraints of supply (costs incurred by producers) and demand (consumer preferences) (Kamerschen , McKenzie, Nardinelli, 1991).
	Efficiency is the optimal allocation of resources, production factors, products and optimal income distribution (Czarny, Nojszowska , 2000).
	Efficiency means that there is no waste, an economy functions effectively when it cannot increase the production of one good without decreasing the production of another (Samuelson , Nordhaus , 1998).

Source: J. Gerlach, M. Gil: Enterprise efficiency in economic theory – which definition best captures the essence of the issue? University of Szczecin, Contemporary Economic Problems no. 2/2018 (18), p. 14.

Table 1 presents selected definitions of economic efficiency, based on the assumptions of five theoretical approaches. These approaches vary in emphasis – from the classic understanding of efficiency as the ratio of inputs to outputs, through approaches focused on maximizing added value, to concepts that consider the broader context of resource management and achieving organizational goals. This comparison demonstrates that economic efficiency is not a homogeneous concept, but rather a multidimensional one, interpreted depending on the adopted theoretical perspective. The selected understandings of efficiency are characteristic of various disciplines, for example: organizational efficiency in management, and allocation and productivity in economics. In the public sector, efficiency and effectiveness are closely intertwined. Achieving the set goals is a prerequisite for recognizing the effectiveness of public spending. Although these disciplines analyze the same phenomenon, the analysis is conducted from different perspectives.

III. DISTINCTION AND COMPARISON BETWEEN ECONOMIC EFFICIENCY AND SOCIAL EFFICIENCY

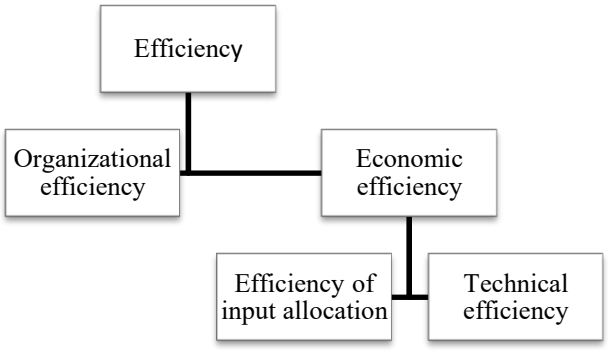
The article takes as its starting point the definition of synthetic effectiveness formulated by R. Winkler, which draws on T. Kotarbiński's analysis of the synthetic understanding of the concept of efficiency. "Efficiency in the synthetic and universal sense is the sum of such qualities of intentional action that allow for achieving a result that is as favorable as possible in terms of the purpose of the action (which means that the result of the action should be no worse than that which was hoped for or which turned out to be achievable at all), and greater effectiveness is characterized by intentional actions that have more features that determine a favorable result in aspects of the assessment specified in terms of the purpose of the action" (Winkler, 2010, p. 111). The proposed definition allows for the identification of two types of effectiveness based on the purpose (Winkler, 2010, p. 112):

- economic efficiency,
- social efficiency.

B. Ziębicki claims that in economic sciences, efficiency is analyzed from two perspectives (the division is presented in Figure 1) (Ziębicki, 2015, p. 20):

- efficiency from an organizational perspective,
- efficiency in economic terms.

FIGURE 1. CATEGORIES OF EFFICIENCY IN ECONOMIC SCIENCES.



Source: B. Ziębicki: Efficiency in economic sciences , Social Economy Bulletin 2015, no. 2, p. 20.

Organizational effectiveness, developed primarily in management science, is described by models in which various aspects of the organization influence the achieved effectiveness. The existence of various models, which adopt fundamentally different criteria for assessing organizational effectiveness, prevents the formulation of a precise definition (Ziębicki, 2010, pp. 632–634). Some authors treat organizational effectiveness as the broadest category among concepts such as efficiency, productivity, cost-effectiveness, rationality, and effectiveness (Skrzypek, 2000, p. 63). Therefore, organizational effectiveness is most often defined in a general way as "an enterprise's ability to adapt on an ongoing and strategic basis to changes in the environment and to productively and economically utilize its resources to achieve the adopted structure of goals" (Penc , 1997, p. 100). The presented definition indicates that the criteria for assessing effectiveness can be qualitative as well as quantitative, measurable and immeasurable, therefore, taking into account the elements of organizational effectiveness, " efficiency " and " effectiveness ," seems necessary (Goleński , 2017, p. 12). Organizational effectiveness distinguishes the concepts of time efficiency and work efficiency, which are also combined into a

single value. Time efficiency refers to the skillful use of market opportunities, the introduction of timely changes, and the utilization of the capabilities of existing systems and processes in enterprises. Work efficiency, on the other hand, relates directly to human work. The combined consideration and application of both concepts in the analysis and evaluation of undertaken actions can significantly improve the functioning of enterprise systems, and thus increase its effectiveness (Gerlach and Gil, 2018, p. 16).

Economic efficiency is studied and developed primarily in economic theory. In the literature, the generalized concept of efficiency is presented as a set of economic relationships between participants in economic activity in the form of cash flows. The effectiveness of these relationships depends significantly on the accuracy of the selection and construction of the monetary instruments used to realize the processes of distribution and exchange of produced goods and services. It is emphasized that expenditures are the main factor influencing the level of achieved efficiency (Burzyńska, 2016, p. 247). NG Mankiv and MP Taylor also propose a general definition of efficiency, but from a different perspective, in which an activity is effective if "thanks to its resources, society obtains as much as possible" (Mankiw and Taylor, 2009, p. 35). Refining the definition of efficiency most often leads to defining it as economic efficiency. In the Dictionary of the Polish Language, economic efficiency is "the result of economic activity determined by the ratio of the effect obtained to the input." (Szymczak, 1978, vol. 1, p. 516). In economic theory, economic efficiency is most often defined as the ratio of achieved effects to incurred inputs. When assessing this relationship, variables describing the factors of production are taken into account, hence economic efficiency is most often divided into allocative efficiency (Pareto efficiency , Table 1) and technical efficiency (Figure 1).

Classical economics, following Adam Smith, believes that efficient resource allocation occurs under conditions of full economic freedom, subject only to the natural mechanism of self-regulation (the invisible hand of the market). Neoclassical economics clarified the understanding of the efficiency of an economic system by introducing the concept of allocative efficiency. Allocative efficiency (in the Pareto sense), according to neoclassical economics, means optimizing the relationship between economic inputs and outputs, determining the desired allocation of resources in the economy in a given institutional environment (Rolnik-Sadowska 2019, pp. 13-14). Vilfredo made a significant contribution to research on the efficiency of resource allocation. Pareto , who stated that resource allocation is efficient, and therefore optimal, when a change to the betterment of some entities is not possible without worsening the situation of others. From a microeconomic perspective, Pareto efficiency refers to a situation where it is impossible to organize production in such a way that the situation of any participant improves without worsening the situation of another participant. Increasing the production of one good comes at the expense of the production of another good (Varian 2005, p. 45). Pareto considered efficiency in relation to optimal allocation at the market level; nowadays, allocative efficiency is most often analyzed at the level of individual economic units (Gerlach and Gil 2018, p. 19). It should be noted that allocative efficiency in the Pareto approach occurs only under conditions of perfect competition.

Technical efficiency means maximizing production volume from the use of given inputs. Increasing the maximum technical efficiency of a given production process is only possible with the additional use of production factors (Nojszowska , 2010, p. 179). Technical efficiency means achieving the highest efficiency of the resources used. It plays an important role in the management process because technical efficiency is a necessary, although not sufficient, condition for achieving economic efficiency. Economic theory and practice face the problem of measuring economic efficiency, stemming from the difficulty and often ambiguity of defining output and input (Gerlach and Gil, 2018, p. 18).

Social effectiveness is most often defined in two perspectives: macroeconomic and microeconomic. Cz. Bywalec defines social effectiveness in the macroeconomic perspective by relating it to economic development. According to him, social effectiveness of economic development is the ratio (quotient) of the social effect of management to the existing economic potential (Bywalec, 2005, p. 6). Social effectiveness in the microeconomic perspective is defined in relation to an organization, combining goals, stakeholder relations, and the concept of corporate social responsibility (CSR) (Zbierowski , 2012, pp. 36–37).

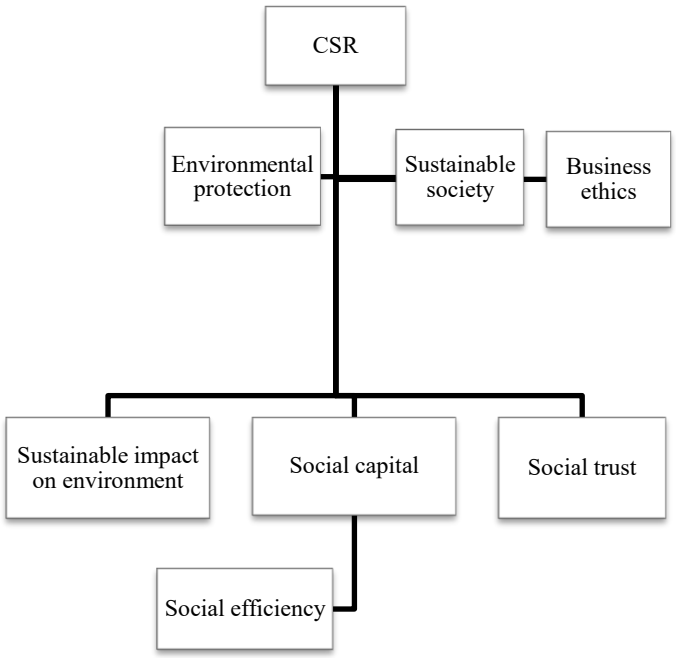
Social efficiency is becoming an important element in considering the functioning of enterprises, especially those whose operations rely on the use of natural resources. While desirable from an economic efficiency perspective, enterprise competitiveness, revenue growth, and cost reduction can overburden the enterprise's environment, resulting in high costs and social losses. The most negative effects include environmental pollution, overexploitation of natural resources, deterioration of residents' health, declining property values, migration, especially of the younger generation, and a general decline in the attractiveness of the area or region (Zieliński, 2013, p. 141). An example would be enterprises offering "spring" water, the overuse of which, although increasing economic efficiency from the enterprise's perspective, often results in long-term and difficult-to-recover losses to the natural and social environment (Milewski, 1994, p. 18).

It should be emphasized, however, that the operation of enterprises in local or regional environments also brings many benefits. The most important include job creation, development of technical and social infrastructure, increased revenues for local budgets from taxes and fees, support for education and culture, and in some cases, social activation and increased social capital. This is where the role of the state emerges as a regulator and creator of an institutional order that ensures sustainable development, meaning one in which the economic goals of enterprises are not achieved at the expense of environmental degradation or social exclusion. The state should create a legal and economic framework (e.g., a system of incentives and sanctions – presented later) that shapes mechanisms of shared responsibility and cooperation between

enterprises and local communities. This includes not only environmental protection instruments (emission standards, environmental fees, restrictions on the use of environmentally harmful technologies) (Marciniak, 2002, p. 128), but also supporting social participation, creating a space for dialogue, and negotiation mechanisms that enable the interests of local communities to be considered in investment decisions.

In this context, voluntary initiatives undertaken by companies that go beyond formal regulatory obligations known as corporate social responsibility (Corporate Social Responsibility) are of particular importance. Social Responsibility (CSR). CSR, as conceptualized by RW Griffin, encompasses its "constituents," the natural environment, and overall social well-being (Griffin, 1996, pp. 146–148). Figure 2 presents the relationship between corporate social responsibility and social effectiveness.

FIGURE 2. RELATIONSHIPS BETWEEN CSR AND SOCIAL PERFORMANCE



Source: Own study

From the perspective of efficiency theory, this means reconciling, and often confronting, two different logics of action: economic efficiency, focused on maximizing financial results with minimal investment, and social efficiency, aimed at generating social value, well-being, social integration, and environmental protection. Reconciling these two approaches is not always possible within a single business decision, but modern management theory, institutional economics, and the economics of sustainable development indicate that long-term corporate success requires the integration of both perspectives. Table 2 presents a comparison of economic and social efficiency according to selected criteria.

TABLE 2. COMPARISON OF ECONOMIC EFFICIENCY AND SOCIAL EFFICIENCY.

Criterion	Economic efficiency	Social efficiency
Objective	Maximizing profits and minimizing costs	Improving the quality of life and social well-being
Time perspective	Short-term or medium-term	Long term
Stakeholders	Owners, investors, management	Employees, local community, future generations
Indicators	ROI, operating profit, margins, productivity	Air quality, public health, education, NPS (net recommendation score)
Expected side effect	Possible negative impact on the environment and community	Reducing inequality, increasing social trust
Regulation	Internal company goals and strategies	Requires regulatory and institutional support
CSR Report	CSR can be an additional PR tool	CSR treated as an integral element of the strategy

Source: Own study.

Table 2 compares economic and social efficiency, highlighting the fundamental differences between their evaluation criteria and goal orientations. Economic efficiency focuses on financial results such as profitability, productivity, and return on investment, while social efficiency emphasizes the company's impact on stakeholders, the environment, and the broader social environment. However, the two approaches are not mutually exclusive – they are increasingly considered complementary, and their integration is becoming the foundation of contemporary concepts of sustainable development and ESG reporting. The comparison in Table 2 thus demonstrates the shift from traditional, narrowly understood criteria for assessing a company's performance to multidimensional approaches that also consider social and environmental responsibility.

In recent years, the concepts of ESG (Environmental , Social , Governance) and SRI (Socially Responsible) have been gaining in importance. responsible investing – Socially Responsible Investing), which are becoming important tools for assessing the social performance of enterprises. The term ESG is used primarily by investors, while enterprises usually employ the concepts of sustainable development or CSR. These concepts are not entirely identical in meaning, but they all encompass contemporary environmental, social, and corporate governance issues (Gołębiewski, 2023, p. 78).

ESG is a set of indicators used to assess a company’s activities in three areas (Kumar, 2023, pp. 1–20; after: Gołębiewski, 2023, p. 79):

- E (Environmental) – environmental impact (CO2 emissions , air pollution, water consumption and pollution, waste management),
- S (Social – Community) – social relations (working conditions, gender equality, relations with the local community), equal educational and health opportunities,
- G (Governance) – corporate governance (transparency, ethics, independence of the board).

The role of ESG factors in investment strategies is constantly growing. Investments by private equity funds are practically nonexistent without a full ESG assessment. Over 90% of surveyed entities incorporate ESG into their operations or plan to do so in the near future (Mikołajczyk, 2023, p. 306).

SRI refers to investment strategies that strive to maximize profits while taking into account ESG factors, i.e. broadly understood social good (Kubińska, 2014, p. 179). M. Remlein

defines SRI – socially responsible investing – as "the process of making decisions on the allocation of available financial resources, in which the investor, on the one hand, strives to maximize profit with the lowest possible risk, and, on the other hand, takes into account social, ethical and environmental factors in this process" (Remlein , 2017, p. 116).

ESG and SRI are becoming significant market pressures, forcing companies to broaden their understanding of efficiency. Investors, consumers, and institutions increasingly expect not only profit but also accountability and transparency. This is leading to a redefinition of efficiency from "profit maximization" to "multi-faceted value maximization."

The theoretical distinction between economic and social efficiency is reflected in measurement methods. Economic efficiency measurement relies primarily on quantitative data, which are used to create financial and technical indicators. Social efficiency, on the other hand, requires a broader approach, combining both hard indicators (e.g., environmental, employment) and soft indicators (e.g., social satisfaction, stakeholder relations). Table 3 compares the key characteristics of economic and social efficiency, and its analysis serves as a starting point for presenting selected measurement methods (Table 3 and Table 4).

TABLE 3. EXAMPLES OF SELECTED METHODS FOR MEASURING ECONOMIC EFFICIENCY

Indicator/method	Description
Return on investment (ROI)	The indicator shows the return on investment in relation to the costs incurred.
Return on equity (ROE)	An indicator measuring the profitability of an enterprise in percentage terms in relation to equity capital.
Operating margin (EBIT)	An indicator that shows what proportion of a company's revenues is operating profit.
Return on Sales (ROS)	It represents the percentage of profit in sales revenue.
Unit costs	Cost per unit of product
Factor productivity	It expresses the ratio of the effects of the production process and the incurred expenditures.
Data Envelopment Analysis (DEA) method	The non-parametric method allows for determining the efficiency limit in relation to the best enterprises in a given group (called efficient ones), i.e. those that achieve the highest results at a given level of inputs (Szymczyk, 2023, p. 130)

Source: Own study.

TABLE 4. EXAMPLES OF SELECTED METHODS FOR MEASURING SOCIAL EFFECTIVENESS

Indicator/method	Description
Quality of life indicators	Health, education, safety, and environment measures
Local employment	The number and stability of jobs in the local community
Employee turnover	The reliability of employment stability and employee loyalty
Net Promoter Score (NPS) Score)	Stakeholders' willingness to recommend the organization
Opinions of the local community	Opinion research, surveys, public consultations
CSR, GRI reports	Reporting on the company's social activities according to specific standards (e.g. GRI, EMAS)
MSCI ESG rating, certifications	Independent CSR and environmental performance assessments

Source: Own study.

Integrated non-financial reports and external ESG audits are playing an increasingly important role in management practice, facilitating the monitoring of the social and environmental impact of corporate activities. It's worth noting, however, that the growing interest in social and environmental performance is not without its risks. One of these is greenwashing , the practice of ostensible social or environmental commitment, aimed solely at improving a company's image rather than at truly changing its operating strategy. Unfortunately, greenwashing appears to be widespread in the business world, where it can take several forms, such as selective or misleading narratives, empty environmental claims, and questionable certifications and labels (Gołębiewski, 2023, p. 85). This phenomenon undermines public trust and leads to the distortion of market accountability mechanisms. Hence, there are additional reasons for the growing importance of independent auditing, reporting, and verification systems for companies' actual social activities.

The most important challenge facing the modern economy is integrating both types of efficiency. A company striving for sustainable success cannot ignore the social and environmental dimensions of its operations. Economic efficiency and social efficiency do not have to be contradictory – they can reinforce each other if properly anchored in the company's strategy and institutional environment.

Ultimately, social efficiency is not just an addition to the economic calculation, but is a condition for sustainability – a condition for obtaining a social license to operate (social license to operate) , i.e. acceptance from the community, without which no business activity can function in the long term (Zdziarski, 2017, p. 26). It is also becoming a real regulatory requirement . The introduction of the CSRD directive (Corporate The Sustainability Reporting Directive (Directive 2022/2464/EU, 2022) significantly expanded non-financial reporting obligations, covering not only large listed entities, but gradually also smaller enterprises.

In local settings, where a company's activities directly impact the daily lives of residents, social trust, operational transparency, and the ability to respond to the needs of the local community are particularly important. Social effectiveness, in this context, means not only the absence of harm but also real benefits for the local community, co-creating quality of life, and active dialogue with stakeholders. Involving local communities in the decision-making process, operational transparency, and a genuine partnership between business and society are therefore key elements of a modern concept of effectiveness. These conditions lead to the development of corporate social responsibility (CSR) practices, which in the case of municipal enterprises take on a specific character. These practices are not merely a voluntary strategy but often stem from social expectations, the nature of ownership (public), and regulatory obligations.

IV. CONCLUSION

Modern businesses operate in a complex, dynamic, and increasingly demanding social and environmental environment. The classic approach to efficiency, while still fundamental,

proves insufficient for assessing the overall impact of business activity. The need to incorporate social and environmental dimensions into the analysis is not only an expression of responsibility but also a factor in determining a company's long-term success.

Economic practice shows that a company that fails to obtain a so-called social license to operate may encounter social, regulatory, and reputational barriers that limit its development. Integrating economic and social efficiency does not mean a simple compromise; it requires a new management logic focused on stakeholders, transparency, and sustainable value. This is becoming an essential element of the functioning of many entities, particularly in sectors related to the exploitation of natural resources. These issues are particularly important for municipal enterprises and public sector entities. They require not only the achievement of economic goals but also social responsibility, dialogue with stakeholders, transparency of operations, and the presentation of high standards of work.

In summary, contemporary corporate performance assessment cannot be limited solely to economic indicators. A broader approach is necessary, encompassing social and environmental performance, as well as responsibility towards stakeholders. CSR, ESG, and SRI models enable an integrated approach to performance assessment, and their use is becoming increasingly common in business practice. This article highlights the need for further research into multidimensional performance measurement methodologies, which can contribute to the creation of more sustainable business development strategies. Integrating economic and social approaches is not only an ethical requirement but also a prerequisite for long-term organizational success in the modern world.

This article highlights the differences and similarities between these two types of performance, presents their metrics, and presents their institutional frameworks. It also highlights the role of CSR, ESG, and SRI as tools for implementing and monitoring social performance. Future research should focus on empirically verifying the relationship between social performance and economic performance, as well as developing integrated indicators that incorporate both dimensions.

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