

CORPORATE SOCIAL RESPONSABILITY IN THE CURRENT GLOBAL ECONOMIC CONTEXT

Emanoil MUSCALU

„Lucian Blaga” University of Sibiu, Romania

The Faculty of Economic Science

emanoil.muscalu@ulbsibiu.ro

Lucia FRATICIU

„Lucian Blaga” University of Sibiu, Romania

The Faculty of Economic Science

lucylucyda2005@yahoo.com

Andrada GHITULETE

Babes-Bolyai University, Cluj-Napoca, Romania

andrada_ghitulete@yahoo.com

Abstract:

In the current economic context, the social issue has become a major preoccupation for the current activity of the organizations that aim to create performance. This is because the modern organization is evaluated also from the point of view of its contribution to the social life of the community it belongs to. As Sophocles said “all benefactors think a little bit also about themselves”. Nowadays, managers not only do they have to lead the activities of the economic organizations in a profitable way, but also have to be responsible for the impact of these activities. Therefore, when confronted to the numerous opportunities and dangers, current companies and managers must find economically, socially and ecologically sustainable activities. And, although social responsibility requires considerable efforts on the part of the companies, it is, without doubt that the benefits obtained are multiplied.

Keywords: competitiveness, financial capital, globalization, sustainable development

JEL Classification: M₁₄

Nowadays, there are many persons that consider social responsibility when they choose the company they work for, the company they invest in or the company whose products they buy. Basically, more and more members of the 21st century society are willing to “punish” those companies that prove through their actions that they are socially irresponsible (e.g. do not respect

the legislation, are factors of pollution, employ minor children, hire workforce based on discriminatory criteria, do not respect the principle of “fair trade” etc.). “In the USA, Germany, Australia and Canada, one in five investors declares that they read the company CSR reports (Corporate Social Responsibility reports) before making a decision. This is a rising tendency” (Fung K. V., Fung K. W., Wond, Y., 2009, p. 43).

The present day consumer begins to focus the attention “not only on the quality of the purchased products, but also considers the behaviour of the producing company” (Iamandi, I.E., Filip, R, 2008, p. 186). “The consumers also want the guarantee that they are being treated appropriately, and the environment is being protected” (Fung, K.V., Fung, K.W., Wond, Y., 2009, p. 47).

Over a decade ago, A. Toffler (1996, p. 82), wrote: „If we want the economy to help us understand and regulate the new forces that act on our society, it will need to stretch beyond its narrow traditional borders... It will need to widen its preoccupations towards the energetic and ecological processes... It is not enough to monitor the National Income or Gross Domestic Product calculation, or to calculate the productivity the old way, by not taking into consideration the economic consequences of social processes such as education, the household activities or raising the children.”

The International Standard ISO26000:2010, *Guidance on social responsibility*, was issued in November 2010 and is aimed at helping organizations achieve a sustainable development. It has the aim to determine the organizations to go beyond the legal norms, and to see the fact that respecting the law is fundamental duty and an essential part of their social responsibility. ISO 26000:2010 offers guidance for all types of organizations, regardless of their size or residence, regarding the concepts, terms and definitions concerning social responsibility.

McWilliams and Siegel (2006, pp. 1–18) describe CSR as “*actions that appear to further some social good, beyond the interest of the firm and that which is required by law*”.

Defined by other specialists as “*the situation in which the company does more than it has to and engages in actions aimed at bringing welfare to the society, actions that go beyond the immediate economic interest of the company and the rigors of the law*” (www.bitc.org.uk), the concept of corporate social responsibility is capable of orienting organizations in the area of global competitiveness. It is rightfully considered that “the implication of major companies in philanthropic acts can bring, in some cases, important financial benefits, because a product that is promoted also socially will sell better. Many companies in the USA have built successful businesses through generous donations to the community, for humanitarian causes. The

experience of these companies, together with other various studies, indicates the fact that the implication in the community generates profit. A European study, done by Market & Opinion Research International, shows the fact that 70% of the consumers prefer the products or services of a company that is involved in solving social or environmental problems. The same study shows that almost half of the consumers would be willing to pay more for the products or services of a socially responsible company.” (Paraschiveanu, C., 2004, p. 5).

The opinions of certain specialists converge towards the idea that companies exist in order to serve the direct beneficiaries and the community alike. In this way, the social responsibility of the company can be perceived as being the commitment of the business environments to contribute to the sustainable economic development, working together with the employees, their families, the local community and the society in general in order to improve the quality of their lives (Ogrean, C., 2006, pp. 19-20).

In the context of sustainable development, the issue of social responsibility of companies can be considered from two perspectives (Abrudan, I., 2009, pp. 5-14). One refers to the content, and means, in the most direct sense, a change of the attitude towards the environment, which is to counterbalance a concrete gain to a supposition regarding an abstract “good deed”, situation which is not within the spirit and the regular definition of management. The second perspective, which is credible and completely in accordance with the managerial spirit, is the “image construction” on a market which is more and more demanding and, following the progress of civilization, more and more cult, sensitive to subtle existential landmarks, which are, to a certain extent, beyond the “visible horizon”. It may be that these two perspectives outline two divergent images of the same object. The first would be a desire of the public towards the company management, and the second, in a reverse way, would be an answer of the management to the public, which reinforces the question or brings satisfaction to the one who poses this question, without, however, solving the background of the problem.

According to the definition adopted by the European Commission (www.csr-romania.ro), corporate social responsibility represents “*a concept whereby companies integrate social and environmental concerns in their business operations and in the interaction with their stakeholders on a voluntary basis*”.

From the multiple approaches of the concept, certain main characteristics of corporate social responsibility can be identified. We mention some of them:

- CSR requires that organizations voluntarily adopt measures to contribute so solving social and ecological problems;

- between CSR and the concept of sustainable development there is a tight connection, due to the fact that business must include the social, economic and environmental impact in all the actions it undertakes;

- the CSR actions do not represent an optional “accessory” of the main business activities;
- the CSR actions must not be mistaken by simple cash donations on philanthropic events.

The main differentiation element between CSR and philanthropy is the fact that the former requires the development of a strategy of involvement in the community and a partnership from which the company has also to gain;

- the reasons for which companies are involved in CSR programs can be determined by altruism, personal interest, commercial spirit, competition or a combination of the above.

The International Institute for Sustainable Development has identified ten factors that influence the development of CSR and has emphasized the new role of companies as socially responsible citizens:

1. Sustainable development: process which has identified the complex problems of a society, such as the incorrect use of natural resources. CSR is seen, from this point of view, as a potential solution for solving this type of problems, if it is integrated in the business strategy;

2. Globalization: the expansion of businesses at a global level has caused the social issues to have a raised importance. CSR plays a vital role in detecting the impact that global businesses have on the workforce, on the local communities and their economies. CSR can offer viable solutions for ensuring the public welfare;

3. Government: governments and members of governments such as those from the EU, *The Organisation for Economic Co- operation and Development* (OECD) and *International Labour Organization* (ILO) have issued various reports, guides, declarations, principles and other instruments in order to regulate which is the proper business behaviour. CSR offers in this respect internationally accepted instruments regarding the human rights, the environment and anti-corruption;

4. The impact of the corporate sector: The way in which companies behave has become an issue of general interest because its influence on the political, social and environmental systems is higher and higher;

5. Communication: the advanced technologies, such as the Internet and mobile phones, offer extensive possibilities of internal and external communication for any company. In the context of CSR, modern communication technologies offer the possibility to improve dialogue and partnerships;

6. Financial capital: consumers and investors are more and more interested to support socially responsible businesses. CSR can help build value and a better responsiveness from the part of those interested in the business;

7. Ethics: along time, corporations have breached many times the rules of an ethical business behaviour which has led to the lack of trust in their activities. An approach of CSR from this point of view can lead to improving the relation of the company with the interest groups, to a higher transparency and to higher ethical standards;

8. Consistency and community: companies should have the same high standards regarding the concern for the environment towards the social, regardless of country. CSR can balance this wish;

9. Leadership: lately, there is a higher awareness of the limits of the legal and governmental initiative for efficiently approaching all the problems that CSR refers to. Therefore, CSR offers the possibility to act in those areas in which the rules seem to be improbable;

10. Business instruments: companies have started more and more to acknowledge the fact that adopting efficient CSR programs can reduce the risk of business disintegration, can lead to new opportunities, innovations, to an increased brand reputation and even to the improvement of the labour efficiency (Hohnen, P. , 2007, pp. 24-32).

The same guide suggests the potential key benefits of the companies that implement CSR strategies, from which we mention:

- better anticipation and approach of possible risks;
- improving the reputation of the management;
- increased ability to recruit, develop and retain the personnel;
- improving innovation, competitiveness and market position;
- improved operational efficiency and a better cost management;
- increased ability to attract and build efficient and effective relations of the supply chain;
- increased ability to approach change;
- a better “social license” able to activate in the community;
- access to capital;
- improving the relations with the legal bodies;
- a catalyst for a responsible consumption.

Palazzi and Starcher (1997, p. 23) quoted in Iamandi (2010, pp. 112-114), mention six types of key social responsibilities which are taken into consideration by the process itself of corporate social responsibility, as shown in the following chart:

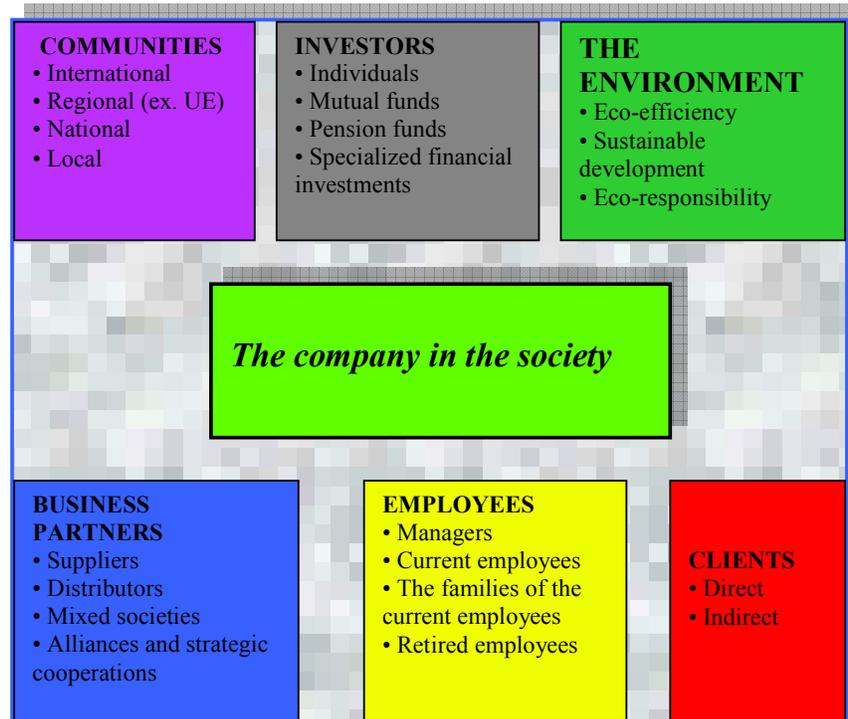


Figure no. 1. The six key responsibilities of CSR

Source: adapted from Iamandi, I., E., 2010, p. 114

Corporate social responsibility means care for the environment, the relationship with the employees, civilized working conditions, measures regarding labour health and safety, the facilities offered to the employees by the company for the professional learning, fairness in the relationship with the business partners, how careful you choose your clients and suppliers, the transparency of the company activities to the employees, clients, community and administration and, last but not least, the involvement in the life of the community.

The approach of a CSR policy within a company can be based on internal factors (the initial reason for creating the organization, organizational culture, strategies, etc.) and on external factors.

The main external factors are connected to the environment and the characteristics of the market: climate changes, pollution, opposition towards globalization, energetic crises, investors, consumers, public authorities, NGOs, labour unions, other companies, company associates, suppliers.

The internal motivations are connected mainly to the benefits that companies can obtain. The publications in this field present the results of numerous quantitative and qualitative researches done in the past years, which prove that the companies obtain important advantages through adopting a CSR policy. Such advantages are: improving the financial performances, reducing operational costs, improving the image and reputation of the brand, increasing sales and client loyalty, increasing the productivity and quality, the abilities to attract and retain employees, reducing the supervision of the legal bodies, access to capital (Maxim, A., 2005/2006, p. 302).

Corporate social responsibility has become a concept promoted and adopted by more and more companies from all parts of the world. A Report of the European Commission (www.europarl.europa.eu), shows the fact that “the increase of CSR can be seen as an answer to the scandals from the past two decades, which involved mainly American companies, and also as a direct answer from within and outside the business community willing to get involved directly in challenges such as climate changes, social cohesion and global poverty, aspects which have become increasing preoccupations in an era of globalised economy”.

From the point of view of economic organizations “CSR adds value because it allows the companies to reflect the needs and preoccupations of various groups of stakeholders” (Werther, W., B., Chandler, D., 2006, p. 89). In this way, organizations have the possibility to be legit, to preserve this statute and increase their economic efficiency in the long term.

Corporate social responsibility must be considered an intelligent investment of the company, a long term investment that brings benefits to the company, as well as to the entire society. (Toma, S., G. <http://amfiteatrueconomic.ase.ro>)

References

1. Abrudan, I., (2009), *Contradicții și ambiguități în conceptul de responsabilitate socială a întreprinderilor*, in: “Revista de Management și Inginerie Economică”, vol. 8, nr. 3, pp. 5-14

2. Fung, K.V., Fung, K.W., Wond, Y., (2009), *Concurența într-o lume plată. Cum să construim o companie într-o lume fără granițe*, Editura Publică, București
3. Hohnen, P., (2007), *Corporate Social Responsibility. An Implementation Guide for Business*, in: "International Institute for Sustainable Development", pp. 24-32
4. Iamandi I., E., Filip, R., (2008), *etică și responsabilitate socială corporativă în afacerile internaționale*, Editura Economică, București
5. Iamandi, I., E., (2010), *Responsabilitatea Socială Corporativă în companiile multinaționale*, Editura Economică, București
6. Maxim, A., (2005/2006), *Responsabilitatea socială și competitivitatea durabilă*, in: "Analele Științifice ale Universității Alexandru Ioan Cuza", Iași, pp. 302-310
7. McWilliams, A., Siegel, S.D., Wright, P.M., (2006), *Corporate Social Responsibility: Strategic implications*, in: "Journal of Management Studies", vol. 43, no. 1, pp. 1-18
8. Ogorean, C., (2006), *Responsabilitatea socială a firmei*, in: "Tribuna Economică", vol. 17, no. 14, pp. 19-20
9. Palazzi, M., Starcher, G., (1997), *Corporate Social Responsibility and Business Success*, in: "The European Business Forum", Paris, pp. 23-40
10. Paraschiveanu, C., (2004), *Responsabilitatea socială aduce profit?*, in: "Capital", p. 5
11. Toffler, A., (1996), *Raport despre ECO-SPASM*, Editura Antet, București
12. Toma, S., G., *De la calitate la responsabilitatea socială corporativă*, <http://amfiteatruconomic.ase.ro>
13. Werther, W., B., Chandler, D., (2006), *Strategic Corporate Social Responsibility: stakeholders in a global environment*, SAGE Publication Inc
14. European Parliament, *REPORT on corporate social responsibility: a new partnership*, online, <http://www.europarl.europa.eu/>
15. <http://www.bitc.org.uk>
16. <http://www.csr-romania.ro>