

# SOCIAL RESPONSIBILITY IN MODERN MANAGEMENT

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**Abstract:** *In order to underline the place and role of responsibility in modern management, the paper starts from the study of specific literature to identify the influence of this responsibility on creating and consolidating sustainable business with impact not only on profit but also on higher investment in human capital, environment, relations with stakeholders – providers, partners, clients. Different visions on the role and responsibilities of companies in society existed along the time. Some intensely argued that „the business of business is business” and that the private sector brings the best benefits to the society by focusing on increasing profitability within a clear legal framework. However, social responsibility included more than that in the last years. The basis of the concept is the responsibility of companies to people, society and environment, which are affected by their activities. Besides the company contribution to society by creating jobs, taxes and collateral economic effects, the company can also develop products, services, production methods and business practices that promote development. Examples can include microcredits, mobile tele-communications, investments in solar energy and water resources.*

**Keywords:** *management, social responsibility, pyramid of social responsibility, sustainable development*

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## 1. Introduction

In modern management, organizations carry out their activity in an economic environment characterized by strong interconditioning of economic and social areas. This context influences the way in which

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companies set their objectives and perform their activity. Thus, organizations have to adopt, besides classic economic objectives related to making profit, a series of objectives related to environment protection or solving general social problems. Mutations in economy and modern society led to the assertion of social responsibility in the activity of companies. These mutations are mainly related to the qualitative evolution of human needs, affirmation of public opinion importance in modeling the behavior of companies, the need to protect the environment (Urip, S., 2010).

In this context, two new concepts occurred and gained more and more ground – sustainable development and social responsibility of companies.

Modern management requires organizations to define the role more clearly and to reanalyze their economic, social and environmental objectives, “to transform business models more quickly, frequently and broadly than in the past, so that they prove by clearly expressed and transparent strategies the capacity to develop sustainable business”. (Grigore, G., Grigore, Gh., 2009).

Modern management attempts in multiple forms to outline the importance of social responsibility of the company in the business strategy by the literature. Some authors even consider that “the initiatives of corporate social responsibility must be integrated and internalized by the organization, so that they are placed in the core of the organization” (Schwartz, M. S., 2011), in order to obtain benefits such as: improvement of corporate reputation, winning the confidence of clients, increase of employee motivation or market share. The companies must be aware of the fact that the inclusion of social responsibility objectives in the company strategy must not only be determined by the desire to build a positive image, increase of operational efficiency or obtaining competitive advantage, but as a condition for building sustainable business (Freeman, R. E., 1984).

## ***2. Concept and meaning of social responsibility***

Literature devotes different modes of defining the concept of social responsibility. The World Business Council for Sustainable Development, by its representatives, Lord Holme and Richard Watts, defines social responsibility as “the continuous commitment in business area, in the direction of ethical conduct and contribution to economic development, along with the increase of life quality of personnel and their families, but

also for local community and society as a whole” (Bazilier, R., Vauday, J., 2014, pp. 176-188).

The European Commission attributes the concept the following definition in the “Green Paper”: “voluntary decision of organizations to contribute to the creation of a better society and cleaner environment” (Santana, A., Wood, D. J., 2009, pp. 133-144).

In the Romanian literature, social responsibility is defined as follows: “assembly of organization obligations to the groups from society, others than those with interests in that company” (Baron, D. P., 2006).

From the above definitions it results that modern organizations can and must fundament their activity not only on objectives related to productivity and making profit, but also on the premise that they perform their activity as part of the society, influencing its entire development.

The notion of social responsibility is the manager’s obligation to take actions that protect and improve both the society well-being as a whole and the interests of organization. According to the definition, the manager must strive to fulfill social objectives and interests of organization. The attention paid to social responsibility in the last years both by managers and the society increased and will probably continue to increase.

The concept of social responsibility has the following elements (European Commission – *Green Paper*, p. 5):

- the commitment of organization to contribute to the economic development of the community by active involvement of employees, their families, local community, society at large;
- performance of community activities, with high impact on society;
- a concept by which the organization decides to voluntarily contribute to the improvement of community where it carries out its activity;
- transparent and society responsible business practice;
- relation of a company with its wide range of stakeholders (involved actors). The clients, employees, members of community and investors are included in this category;
- social responsibility is an investment made by companies for the well-being of community/society;
- a contract between the society and business sector.

Besides the responsibility of managers to lead the company so as to make profit, they have social responsibility to the environment in which

they operate, to their employees, consumers, etc., namely to all stakeholders (environment, clients and consumers, shareholders, employees, creditors, governmental and non-governmental organizations, providers, general public) of the company. Nowadays, it is no longer enough for a company to reach its profit-related objectives, it has to develop programs of environmental protection, to provide equal employment chances, to create safe jobs, to manufacture safe products and many others (Burduş, E., 2001 p. 172).

### **3. Pyramid of company social responsibility**

As Archie B. Carroll suggests, total social responsibility has four components: economic, legal, ethical and philanthropic. These four components form the pyramid of company social responsibility (Carroll, A. B., 1991).

1. Economic responsibility is the first and most important obligation. The role of economic units in a society consists in their objective, namely the production of goods and services requested by the individual, community and society. The same, by increasing the profit, the company will contribute considerably to supporting culture, education, health, etc. by the paid taxes and fees.
2. Legal responsibility implies that the companies must orient in their activity to the adequate compliance with society and law protecting it. The companies must only act within the legal limits and pay their taxes and fees to the state, etc.
3. Ethical responsibilities provide that the behavior of the company and of its components must be according to moral norms, even if these are not mentioned in laws and do not directly serve the company economic interests. The correctness and honesty in relations with employees, clients, providers, competitors, etc. are included in this obligation.
4. Philanthropic responsibilities (optionally) are manifested in purely voluntary actions, generated by the desire to solve certain social issues without being imposed by economic or legal obligations. These commitments are the highest level of social responsibility because they are not imposed on the company, they incur certain costs from the company and aim to increase the well-being of society.

Economic performance is the basis for the other three components. Simultaneously with making profit (exercising economic responsibility), the company must carry out its business within legal limits (exercising legal responsibility), must do what is right, just and fair (exercising ethical responsibility) and be a good citizen partner (exercising philanthropic responsibility). With respect to social responsibility programs, these require efforts from the entire organization, not only from the marketing department. These activities are carried out (planned, organized, led and controlled) by the customer service department in many organizations in the present. Among the activities carried out in this department, the following are singled out (Brown, T. J., Dacin, P. A., 1997, pp. 68-84):

- monitoring of company promotional actions;
- providing important data for designing products;
- research on consumer satisfaction;
- elaboration of warranties;
- supervision of packing and labeling products;
- selection of providers;
- improvement of quality control;
- research on increasing product safety;
- answering client questions;
- processing of consumer complaints;
- elaboration of client education programs.

In general, the head of this department has also the role to elaborate the company policies related to its social responsibility. The areas in which the companies can act to protect and increase the society well-being are numerous and diverse. Among the main directions of company social responsibility, we can mention the following (Mohr, L. A., Webb, D. J., 2005, pp. 121-147):

- promotion of high ethical standards in business;
- high quality of labor conditions of employees;
- safety and health of employees;
- protection of employee rights;
- programs for preventing employee discrimination;
- supporting charity institutions;
- involvement in environment protection;
- consumer protection;

- supporting art, educational institutions, medicine;
- programs for helping the elderly;
- supporting the urban renewal and reconstruction;
- training programs for unemployed persons;
- programs for crime prevention, etc.

#### ***4. Promotion strategies of social responsibility***

By definition and results, the companies bring important contributions to the communities where they perform their activity and even to the society as a whole. They facilitate the creation of new jobs, pay taxes to the state and community, contribute to the development of other companies, all of these leading to the general welfare of population. The main preoccupation of the companies is to make profit. The companies do not operate in only one market. They also operate in a certain culture, community and political system. The debate on social responsibility of companies focuses on the role of these units in a wider social context. The companies have a significant impact on the social development in the area in which they operate. Therefore, they have a responsibility that goes beyond the simple algorithm related to profit. This concept clarifies the social responsibilities of companies and the way in which they can be fulfilled. There are multiple examples of companies which are profitable from financial point of view, but the activity of which can affect both employees and the community. The role of administration and politicians is to prevent such situations, both by regulating the activity framework of the company and permanent dialogue with entrepreneurs and social partners. In the context of strategy, the following areas are presented as important from the point of view of company social responsibility: compliance with human rights; maintenance of labor force standards and optimum labor conditions; consideration of environmental concerns; prevention of corruption and maximization of transparency (Oprea, L., 2005).

The ethical aspects of social responsibility became more and more important. The law and its enforcement vary from one country to another. The level of corruption also varies. However, one thing is certain, namely the fact that the companies are asked to a higher extent about the practices used in business and about social responsibility activities carried out. This type of social involvement of companies becomes more and more their

recognition and social acceptance element. For this purpose, the economic activities require more and more the ethical basis which places the person, environment and social considerations in continuous development in the center of economic activity. There were a series of cases in the last years which showed the importance of social responsibility but also the negative consequences on individuals, society and environment, when the companies do not carry out their activity in a responsible manner (Friedman, M., 1970, pp. 32-33).

Many companies integrated social responsibility in their activity and decision-making processes. This is a very positive thing. In Romania, although some companies (especially multinational companies) made real progress in integrating social responsibility in their practices, the concept of social responsibility is still in incipient development stages. While multinational companies and big Romanian companies started to gradually develop their own culture of social responsibility, the concept of social responsibility is almost unknown in the sphere of small and medium enterprises. At the same time, the public authorities at central, local and regional level are not involved in most cases in promotion activities of social responsibility concept to the benefit of communities. Thus, the involvement in social responsibility campaigns is still very low at this level. The need is to increase awareness of positive effects, to have a more developed culture and wide involvement of all targeted actors (Oberseder, M., Schlegelmilch, B., Murphy, P. E., 2013, pp. 32-33).

The arguments forming the basis for active involvement of public, private and non-governmental sector in the development of a coherent promotion strategy of company social responsibility are multiple. The main purpose of the strategy is to increase the awareness degree concerning the importance and benefits of applying social responsibility, both in the private and governmental sector. The purpose of Government involvement is to support the development of company social responsibility, by a series of active measures, in order to increase motivation and the capacity of companies to exercise social responsibility by counseling measures, openness to cooperation and partnerships, dialogue and exchange of experience between authorities and private sector (Stroup, M. A., Neubert, R. L., 1987, pp. 22-24).

## ***5. Social responsibility and sustainable development***

Sustainable development implies the existence of economic conditions, social, cultural and environmental friendly. If, in historical perspective, economic conditions have had an absolute role in the evolution of the human species, other conditions may not be today ignored. The social component is, however, an essential factor of development (Dragomir, C., Ionescu, E., Panzaru, S., 2013, p. 59). This concept was initially related to environmental issues and crisis of resources, especially energy resources three decades ago. The concept gradually evolved and it was imposed as such in 1992 after the Conference on environment and development organized by the United Nations in Rio de Janeiro.

The starting point in approaching this issue was represented by the Conference for environment from Stockholm 1972, which tackled for the first time the issues of environmental damages due to human activities. It was considered that the continuation of such situation endangers the future of humanity. As such, in 1983, by the resolution of the General Meeting of the United Nations, the World Commission on Environment and Development – Bruntland Commission is founded. By its activity, it closely tackled the issue of sustainable development. The commission elaborated the most frequently used definition of the term. Thus, the concept of sustainable development implies the satisfaction of present needs, without compromising the possibilities of future generations to satisfy their own needs (Petrescu, I., 2009).

The problems of sustainable development were intensely debated at the Earth Summit from Rio de Janeiro, 1992, when the concrete action plan was elaborated for supporting such development – Agenda 21. The concerns related to this continued with discussions at the Summit for sustainable development from Johannesburg, 2002 (Crăciun, D., 2007).

### ***Conclusions***

From those presented above, it results that in modern management, social responsibility in the activity of companies becomes a necessity determined by the interdependence relation between modern economic organizations and society. The state and evolution of any company depend on its situation, its development being closely related to the evolution of companies operating within it. There is a strong connection between the

sustainable development of the society and social responsibility of companies. Practically, the two concepts mutually support and fuel each other (Trevisani, D., 2007).

The use of social responsibility concept can help organizations achieve the higher motivation of their human resources. At the same time, acting like this, the companies can determine the increase of consumer confidence, thus ensuring the competitive advantage that cannot be neglected.

From the perspective of our country's efforts as member of the European Union, the need to use social, economic and ecologic responsibility favors the economic, social and ecologic sustainable development of Romania.

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