SOCIAL RESPONSIBILITY OF ROMANIAN COMPANIES: CONTRIBUTION TO A “GOOD SOCIETY” OR EXPECTED BUSINESS STRATEGY?

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Abstract: Starting with J. K. Galbraith who conceptualized what “good society” means and how it can be achieved, a long series of both theoretical and practical concerns has emerged. One way of implementing it is companies’ social responsibility. Companies are parts of the society, involved in social, cultural and educational field, contributing to economic and social development by creating jobs, producing goods, providing incomes and resources for public communities, innovations and general progress. Moreover, the companies’ social responsible actions cannot exclude the concern for major problems of the society, e.g. unemployment and social exclusion, equal chances or environmental issues. The social responsible companies involve themselves more and more in sponsorship and humanitarian mecenatum. At the same time, on the theoretical side, last decades testified of an effervescence of the researches on practices related to the concept of corporate social responsibility. Whilst so far corporate social responsibility is mainly promoted by a number of large companies, it is relevant in all types of companies and in all sectors of activity, from SMEs to multinational companies. A number of companies with good social and environmental records indicate that these activities can induce better performance and more profit. The paper investigates various issues concerning Romanian companies’ CSR projects, attempting to reveal to what extent these actions really contribute to a “good society” or they are just business strategies to attract customers and make more profit. In its first part we introduce the subjects and briefly review the literature and main concepts, while in the second part we present main facts and figures related to CSR in Romania, along with the main types of companies’ involvement in social and humanitarian area. We analyse the differences between behaviour of large companies versus small and medium sized companies, and also the most adequate forms of intervention (financially and legally) to ensure maximum efficacy and visibility of CSR actions. Finally we conclude on the importance of CSR within society but also on the risk that it could be converted in a business strategy or marketing tool, without any social impact.

Keywords: corporate social responsibility, good society, Romanian companies, business strategy

JEL classification: M14; A13; L21.
1. Introduction. Corporate social responsibility for a “good society”

John Kenneth Galbraith defined the essence of the good society as follows: “It is that every member, regardless of gender, race or ethnic origin, should have access to a rewarding life. Allowance there must be for undoubted differences in aspiration and qualification. Individuals differ in physical and mental facility, commitment and purpose, and from these differences come differences in achievement and in economic reward. […] No one, from accident of birth or economic circumstance, may be denied these things; if they are not available from parent or family, society must provide effective forms of care and guidance” (Galbraith, 1996). Undoubtedly, the desire of a better society exalted minds of tens of philosophers, sociologists or economists, but never like in the last hundred years the world was never more far away, and, at the same time, closer to this ideal. What is, however, a better society? The utilitarians define better society as one that can best meet the needs of as many members of society; others see it as the organization that provides and ensures an equality of chances among citizens, while left-wing militants imagine better society as one that ensures a fair distribution of results among citizens. Amartya Sen suggests an alternative approach, recalling that certain modes of society are essential for a better human life: meeting the physical needs and physical security, taking decisions on an informed basis, the existence and exercise of civil and political rights (Sen, 1999).

Could be the modern enterprise an agent of a better society? It is possible that its fundamental purpose: to generate profit, to work in line with social concerns? The company is a part of whole society, acting as an active actor in social, cultural and educational field. The company contributes to economical-social development by creating jobs, products/goods, values, incomes, resources for public communities, inventions and widespread of technical progress. In the same time, the company’s social responsible action cannot exclude the concern for major problems of the society as unemployment and social exclusion, equal chances or environmental issues. The civic company is concerned by issues related to ethics, to conduct rules promoted by the community of the entrepreneurs, in order to achieve certain goals.

2. The concept of corporate social responsibility and its meanings

As many other modern concepts and concerns in the economic theory and practice, also in the case of corporate social responsibility (CSR) the origin has to be searched long time ago. Adam Smith, before writing his master piece The Wealth of Nations (1776), wrote The Theory of Moral Sentiments (1759), providing the ethical, philosophical and methodological basis for his later works. Later, Adam Smith argued how, paradoxically, the individual selfish behaviour drives to collective interest achievement, by the natural intervention of the invisible hand of the market, of course in a perfect competition environment: “… In spite of their natural selfishness and rapacity, though they mean only their own convenience, though the sole end which they propose …. They are led by an invisible hand to make nearly the same distribution of the necessaries of life…” (Smith, 1904).

However, the silence covered all moral, ethical and social responsibility issues of the companies for almost two centuries. In the early of last century, Oliver Sheldon (1923) encouraged management to promote ethical standards and justice in society through an efficient resource usage and only in 1953, Howard Bower, nicknamed ‘the father’ of the social responsibility of the company, defined corporate social
responsibility as: “the obligations of businessmen to pursue those policies, to make those decisions or to follow those directions that are agreed in term of values and goals by our society” (Bowen, 1953).

In the last decades, we assist at an effervescence of the concept and practices related to the concept of CSR, all over the world. Keith Davis and Robert Blomstrom (1975) define the concept thus: “Social responsibility is the obligation of decision makers to act in order to protect and enhance the well-being of the society as a whole, besides the necessity to protect their own interests” and Joseph McGuire (1963, p. 74) stated: “the idea of corporate social responsibility assumes that a corporations do not have only economic and legal obligations, but also responsibilities toward the community where it activates”.

Overall, we can say that most definitions of CSR describe it as an integration of social, public, human and environmental concerns in their business activity and in their interaction with the stakeholders on a voluntary basis. Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing in human capital, the environment etc., investment which is assumed as a driven factor of the company’s competitiveness. CSR is a concept referring to the contribution that companies should have to the modern society development. The wide variety of theories and approaches to CSR can lead to confusion, especially when many authors try to broaden the content to these theories, diluting their meanings. In a systematization undertaking, Secchi (2007, pp. 347-373) recognizes three categories of these: the utilitarian theory - addressing social costs issues and functionalism, 2) The managerial theory - Corporate Social Performance, Social accountability, auditing and reporting, social responsibility for multinationals, and 3) the relational theory dealing with Business and Society Stakeholder Approach, global Corporate Citizenship and Social Contract theory. From another perspective, Garriga and Mele find that CSR’s theories cover four distinct areas: instrumental, political, integrative and, finally, ethical theories. For the latter they associate those actions that, in their moral and correctness, lead to implementing the ideal of a better society (Garriga & Mele, 2004) and (Ismail, 2009, pp. 308-318).

Whilst so far CSR is mainly promoted by a number of large or multinational companies, it is relevant in all types of companies and in all sectors of activity, from SMEs to multinational companies (MNCs). For many companies involved in these activities, the economic impact of corporate social responsibility can be broken down into direct and indirect effects. Positive direct results may derive from a better working environment, which leads to a better motivated and productive employees and a rational use of natural resources. Indirect effects result from the growing attention of consumers and investors, which will increase their opportunities on the markets. Inversely, we notice negative impact on a company’s reputation due to criticism of business practices, affecting the core assets of a company, such as its brands and image.

CSR has two different dimensions: the internal dimension and the external one. About the internal one, socially responsible practices primarily involve employees and relate to issues such as investing in human capital, health and safety, while environmentally responsible practices relate mainly to the management of natural resources used in the production, reconciling social development with improved competitiveness. The external dimension involves also the business partners and suppliers, customers, public authorities and NGOs representing local communities, as well as the environment. Moreover, the globalization has encouraged the
development of “global governance”: the development of voluntary CSR practices can be seen as contributing to this (Commission of the European Communities, 2001).

At this point, we cannot ignore that CSR could be, in the absence of a real commitment solving social and ecologic problems, just as an empty box. Milton Friedman said that “The discussions of the “social responsibilities of business” are notable for their analytical looseness and lack of rigor. What does it mean to say that “business” has responsibilities? Only people can have responsibilities. A corporation is an artificial person and in this sense may have artificial responsibilities, but “business” as a whole cannot be said to have responsibilities, even in this vague sense” (Friedman, 1970). Thus, we could differentiate the critics of CSR into two main trends: first, the most active, coming from the defenders of free market principles, taking arguments of Milton Friedman - the only social responsibility of business is to increase profits, accusing world business leaders have abandoned the principle of efficiency in favour of so-called “political correctness”. Recently, some critics come from the leftist area of (American) democracy. Thus, Robert Reich denounces CSR as a dangerous diversion that undermines democracy, considering that companies “can not be socially responsible, or at least to a significant extent,” and CSR activists should insist to make governments primarily responsible in setting standards and norms, in order to avoid companies to act against the interest of society (Reich, 2008). Moreover, crediting firms with socially responsible actions when they actually seek economic effects thereof, is dangerous, because extends this category of CSR over all firms actions in profit seeking and competition. For Timothy M. Devinney (2009) “the notion of a socially responsible corporation is potentially an oxymoron because of the naturally conflicted nature of the corporation”.

Without getting into a controversial debate on CSR, some issues remain: whether firms that are involved in these actions are/become more profitable, if CSR’s actions should not be understood as a form of “smart management”, and, the last, but not the least, we have to accept that is unlikely companies to do things against their self-interest. To fundamental reject these actions is as we show to the companies they don’t need act responsibly. It might cause them to under-invest in these opportunities, and to focus excessively on short-term profit (The Economist, 2007).

3. Corporate social responsibility in Romania
In Romania, the concept of social responsibility has appeared in Romania after 1990 when many NGOs - associations and foundations were set up with the help of international public or private institutions, especially with a humanitarian role, for helping some disadvantaged categories: children, elder people etc. Following the social initiatives, the concept of CSR was introduced by big multinational companies entered in Romania and pursuing and promoting global projects and programmes, e.g. Coca-Cola, Pepsi-Cola, Philip Morris etc., the majority of them joining the American-Romanian Chamber of Commerce. After 2000, many other business companies, both large and SMEs, started to involve in actions of social responsibility, especially involving environmental and social issues.

According to a 2007 report regarding CSR and competiveness regarding the situation of CSR in Romania, the corporate responsibility, far from being ignored or viewed with apathy, is simply expected in some sectors of Romanian business (CCIR, et al., 2007). The standard CSR terminology and language is not universally
understood, but fair pricing, health and safety, good working conditions, community involvement and environmental protection are all high on the list of public/consumer concerns. At the middle of 2000, Romania, as many Central and Eastern countries come to terms with rapid economic growth and that was an opportunity for businesses to stand up to the challenge and help fill the social vacuum left by the demise of Communism. By doing this, businesses can help to guarantee the stability of Romanian society. Many businesses operating in Romania were taking their responsibilities seriously, but many more preferred the easy route: using PR to artificially alter public perception.

In Romania, the first significant activities stimulating companies to be part in social activities was TOP Corporate Philanthropist, by granting diplomas, awards, public recognition to companies involved in social projects. Thus, in 2006, were mentioned names as BRD - Groupe Société Générale, Ductil SA, IMPACT SA, DotCommerce Romania (Forumul Donatorilor din Romania/Romanian Donors Forum, 2012). In the following year (2007), the corporate donations increased, as Romania was ranked second in the CEE region, after the Czech Republic. Although the amounts were relatively modest, the increase was significant: from nearly 3 billion in 2006 to about 8 billion in 2007 (Forumul Donatorilor din Romania/Romanian Donors Forum, 2012). The trend has continued, in 2008, top 10 among donors in Romania have invested over 12 million euros in social responsibility projects and top 10 corporate foundations have funded civil society with over 6.4 million Euro. Petrom SA was considered the most generous large companies and Vodafone Romania Foundation was named winner in corporate foundations sections (Euractiv, 2009). In time, the CSR budgets have constantly increased in the last years, as it can be seen in Table 1.

According to a research conducted by CSR Media, Romanian companies have invested in CSR projects about 16 million in 2011, and over 12 million in 2012 (CSRmedia, 2013). From this, approximately 16 million allocated to Social Responsibility projects in 2011, almost 11.6 million euros were invested by the Top 10 Corporate companies in Romania. The amount represents about 1% of their declared net profit. Most CSR investments in 2011 were made by companies operating in the oil, telecommunications and banking sectors; the largest budget of CSR, around 4.2 million in 2011, come, as expected, from the Petrom – the largest oil and gas producer in South Eastern Europe. According to the representatives of this company, between 2007 and 2012, Petrom has invested over 30 million euros in social responsibility projects, the most famous being “Andrei's Country” (Țara lui Andrei) (Craciun, 2013), “… a great community oriented to solutions that generate long-term value. We encourage both individual initiatives and those from organizations that create economic value for the community, but addressing social problems. We strongly believe encouraging entrepreneurship integrated with a community approach, we are able to make Romania a better country ... " (Forbes Romania, Craciun M., 2012).
### Table 1: CSR budgets in Romanian selected companies

<table>
<thead>
<tr>
<th>Company</th>
<th>CSR budget (in thousand EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td>A&amp;D Pharma</td>
<td>300</td>
</tr>
<tr>
<td>Avon Romania</td>
<td>n.a.</td>
</tr>
<tr>
<td>Banca Transilvania</td>
<td>n.a.</td>
</tr>
<tr>
<td>Carpatcement Holding</td>
<td>300</td>
</tr>
<tr>
<td>Coca Cola</td>
<td>300</td>
</tr>
<tr>
<td>Cosmote</td>
<td>n.a.</td>
</tr>
<tr>
<td>GlaxoSmithKline (GSK)</td>
<td>n.a.</td>
</tr>
<tr>
<td>Romania</td>
<td>n.a.</td>
</tr>
<tr>
<td>Holcim Romania</td>
<td>n.a.</td>
</tr>
<tr>
<td>Petrom Romania</td>
<td>n.a.</td>
</tr>
<tr>
<td>Romstal</td>
<td>n.a.</td>
</tr>
<tr>
<td>Transgaz</td>
<td>n.a.</td>
</tr>
<tr>
<td>Tuborg Romania (URBB)</td>
<td>n.a.</td>
</tr>
<tr>
<td>Unicredit Tiriac</td>
<td>145</td>
</tr>
</tbody>
</table>

Source: [http://www.responsabilitatesociala.ro/companii.html](http://www.responsabilitatesociala.ro/companii.html)

In aggregate terms, most of the amounts invested in the last 6-7 years were sponsorship, and only a small part in donations. The explanation is that Romanian legal framework, do not stimulating the donations: the procedure is complicated involving a donation act through notary offices and around 1%-2% taxes and notary fees. On the other hand, the sponsorship can be immediately granted, and their amount can reach up to 20% from the income tax, but not exceeding 0,3% from annual cumulated turnover. In the 90s, Romanian companies made donations in small amounts, especially for social causes, based on emotional impulse not on a policy basis, such as: the desire to help other people (39%), humanitarian reasons (17%), help children (10%), and help older people (8%). However, after 2000, things changed. There are now practiced all relevant form of companies’ involvement in the community problems solving (ARC (1), 2006):

#### 3.1. Donations and sponsorship

A survey conducted in 2003 by the Association for Community Relationship indicated that 29% of Romanian companies made cash gifts, while 24% made in-kind donations. Data shows that the number of companies located in small towns (less than 30,000 citizens) making donations is double compared with the number of businesses in big cities (50% vs 26%), but, as expected, the average donation and the total amount given increases proportionally with the resident location size. Concerning the distribution of funds according to the type of recipient organization, it reveals that the largest group of beneficiaries is NGOs with 18.4%, followed by schools and kindergartens (17.1%) and the Church with 16.5%. Related to the distribution of funds by fields, religion cumulate 13% from companies allocations,
followed by education and research with 9.8%, but only 1-2% from donors amounts reach to environmental protection, human rights and democracy causes. The data show that the average donation of companies in Romania is around 0.4% of their annual turnover, comparing with 1.2% of annual pre-tax income for an U.S company. As a general assertion, most business donors give rather small amounts (almost half donate less than US$ 400 per year). However, these data must be seen in the context of the generally poor status of the Romanian economy. Only a minority of Romanian companies (12%) have significant budgets for donations (more than US $3,500 per year). In terms of frequency of giving, a quarter of companies make donations more than five times per year, and another quarter donate just once a year (ARC (2), 2003) and (ARC (3), 2003).

Romania is still behind other countries in the region. In 2006, the overall value of the donations from Central and Eastern Europe companies (Russia included) was 127.7 million euros, according to “Central and Eastern European Network for Responsible Giving”. If on local side, in 2006, the first 10 companies from the Romania Donors Forum provided almost EUR 3 million, the top 10 companies in the Czech Republic provided EUR 25.6 million, and in Slovakia EUR 3.5 million. In Hungary, the amounts offered by the companies for the non-profit organizations reached EUR 6.3 million (Anton, 2008). However, the attitude of Romanian companies to CSR tends to improve. Comparing with individual donor patterns, here there is a strong consensus between analysts that progress has been highly visible in the last years regarding a highly visible progress. Thus, in the last 5-6 years, the amounts given by larger, national scope corporations range between 3,000 EUR – 500,000 EUR, depending on size of project or its priority and significance for the company, on the corporate philanthropy market. Still, most of these situate somewhere in the 5,000 EUR – 50,000 EUR range (Porumb & Sofica, 2008).

The research has shown that the dynamics in the corporate giving is linked to the pioneering example of multinational companies who have developed frameworks for social corporate in their headquarters or already have experience in this area. While national companies prefer projects with national coverage, there are also local examples or CSR projects undertaken by local SMEs, or by decentralized structures and components of large corporate initiatives. This shows clearly that there are sufficient opportunities and needs where CSR programs can be developed in the future. Although most (primary) data provide information on large firms initiatives and behaviour, of their involvement in large projects, particularly visible through adequate advertising support (sometimes extensions of international campaigns), there is also a relevant dimension of CSR in the local firms. Interestingly, the data shows that small businesses tend to follow individual donors pattern, and less the corporate ones.

3.2. Salary donations
This model is very common in the US and UK, its success being ensured by the incentives made by legal framework. The mechanism consists in monthly donations made by employees from their after-tax salary; usually, the company doubles the amounts and redirect the money to a non-profit organization. For Romania, it has to be mentioned some projects of great multinational companies, such as Coca Cola HBC Romania, Vodafone, United Way, Unicredit Tiriac Bank or Raiffeisen Bank. Every year since 2004, Coca Cola HBC Romania involved its employees in a salary donations program, for supporting a school choir, an institution for old people and a
3.3. Corporate volunteering
Volunteerism is a key component of many companies' philanthropic and community affairs programs. Corporate volunteerism can be a triple win: helping people in the community while giving employees a chance to shine and benefiting the company in numerous ways. The company encourages its employees to put their time, ability or expertise in the service of an organisation or of the community itself.

At European level, Business in the Community (BITC) has launched a competition in 2011 in 22 European countries (including Romania) and awarded corporate volunteer programs. Initiative called "Employee Volunteering Awards" was co-funded by the European Commission. It took place in the context in which 2011 was declared "European Year of Volunteering" (CSR Europe, 2012). Some examples for Romania are: Lafarge Romania, that made a long term partnership with Habitat for Humanity Romania, supporting the construction of houses for poor people; GlaxoSmithKline in a partnership with the Hospice House of Hope, providing personal care for ill persons in terminal phase (Voluntariat.ro, 2012).

3.4. Corporate foundations
The corporate foundation is a non-profit independent entity, financially supported by a company. The amount of the fund raising is quite impressive in some cases and it includes grants, scholarships, employee matching gifts, and other amounts; for example, in the US, the largest grant making foundation is Bill and Melinda Gates, with an amount exceeding US$ 2bln., followed by many other corporate foundations as Lilly Cares Foundations, The Ford Foundation, The William and Flora Hewlett Foundation (Foundation Center, 2013). In Romania, the most important foundations belong to multinational companies, such as Partners for Life, settled by GlaxoSmithKline, Ronald McDonald, Sirois (Vodafone) but there is also a national example, the Sensiblu Foundation, settled by A&D Pharma. Now there are registered more than 100 corporate foundations, but only 15 are consistent involved in philanthropic acts. Some of them co-operate with non-profit organizations for project achievement (MOL Romania, Vodafone, Coca-Cola, Anchor Group) and some create their own programs (RTC Foundation).

3.5. Cause Related Marketing
Cause Related Marketing is a undertaking assumed by the company to direct for a well-defined cause a part of the profit earned from a specific product or service for a limited time period. This practice is more efficient for companies, since for 70% of the consumers, the social involvement of the company from which they buy products is important in the choice process and 20% of them are even willing to pay more for the products provided by a social involved company (CSR Europe, 2012). Some examples for Romania include: the project A computer, an extra-chance for the future (Procter&Gamble 1999), Together for the Children (Kraft Jacobs 2002), Together for the Future (Vodafone 2005), Chance to life, chance to new memories (Procter and Gamble Romania, 2008), UNICEF Cards - 1% (Unicredit Tiriac Bank,
4. Conclusion
The main conclusion is that in Romania there are still important differences between multinational companies operating in the country and national companies, and also differences between big and small/medium size companies. Companies still use rarely the charity action, moreover, companies did not completely understand the importance of these actions for marketing, PR and enhancing image, maybe, perhaps NGOs are not perceived as potential vehicles to enhance the company's image, or many companies do not have the ability to integrate corporate philanthropy in PR activities or marketing strategies. However, in the last decade, the international trend to adopt a CSR strategy is followed more and more by local companies, which are in the process of building a medium term strategy for involving in community. CSR is undoubtedly a real gain of social and humanitarian perspective in society. The realities of the Romanian economy and society of the last years have captured both the wave of models, the enthusiasm and involvement of corporate sector in social problems, both the impact of economic crisis on the continuity and real sense of social projects, regardless the size and power of their supporters. In order to maintain the social value of CSR and to give a real sense to business ethics, the CSR managers should try to temper their desperately seeking of convincing evidence that "doing good is good for business" i.e. to avoid passing in the CSR payment bill the costs of every current and strategic business decisions. Invoking the monotonous and sometimes aggressive business motto rather creates doubts that it would not be self-evident that the emerging and functioning of the companies, the business in general are not based on the needs of society but rather on occult and unethical reasons.

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