

IMPLICATIONS OF CSR ON CORPORATE STAKEHOLDERS

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Abstract: *Companies' strategies and values must be in accordance to stakeholders' expectations and needs because their role and influences on companies' activity are decisive for companies future development. Corporate Social Responsibility is a meaningful way through which companies can pursue sustainable development by having a coherent economical, social and environmental perspective on how the business should be managed. CSR must become an integral part of corporate management system, because it has a major role in distressing the relation between company and major stakeholders, both internally and externally. CSR is a global phenomenon, which draws the attention of a growing number of partisans, from public private and social sector. To demonstrate the applicability of the theoretical approaches deduced from the existing literature, the authors recourse to an empirical qualitative research, conducted through a questionnaire implemented to top managers, HR managers and heads of CSR departments within large companies that operate in Romania. The research is based on the analysis of a number of 87 questionnaires and aims to highlight major stakeholders and finding how companies' responsible activities can influence stakeholders. This study is designed to highlight how prioritization of stakeholders influences CSR initiatives within large companies that operate in Romania, and to present a perspective of company's approach towards shared value influence major stakeholders. The conclusions drawn have a greater relevance both theoretically and especially practically because provides insights on how large companies perceive CSR and how stakeholders influence responsible initiatives in emergent country like Romania where stereotypes are difficult to manage.*

Key Words: Corporate Social Responsibility, stakeholders, sustainable development, shared values

JEL classification: M14, O12, O16

1. Introduction

Sustainable development became a topic of major concern because of the abusive consumption of resources, global warming, environment pollution, over production factors that led to devastating consequences on the whole society. Both, organizations and consumers need to address the issue of sustainability, by setting a balanced relation between responsible consumption and quality of life. As in the past century, companies were oriented on rising productivity, now the future trends are to increasingly reducing footprints on environment and society, through innovative solutions and effective methods of production (Dunphy, 2003).

The capitalist system was considered to be the main factor of economic, social and environmental degradation, companies playing just the role of prospectors, while community is the one that pays the real price for the disequilibrium created (Porter & Kramer, 2006). However many negative examples demonstrate that there is a mismatch between how companies achieve financial and economical results and how they address social and environmental problems. Unfortunately, several corporations in their unstoppable growth due to unethical practices, have determined serious crises with tremendous negative effects: e.g. financial crisis of 1997 that impacted severely the

economy of Thailand, Indonesia, South Korea, Malaysia and the Philippines (Achbar et al., 2004); the Enron and WorldCom scandal that trigger the collapse of companies such as Arthur Andersen, Global Crossing and Tyco; toxic emissions of Motiva refinery from Port Arthur, Texas, with deadly effects on the local community (Held, 2002).

International organizations such as the United Nations Conference on Trade and Development (UNCTAD), United Nations Development Program (UNDP), the World Trade Organization (WTO), the World Bank and the Organization for Economic Cooperation and Development (OECD), have proposed various ways in which poverty can be reduced, corporations having a major role in poverty alleviation. According to the International Labor Organization, poverty is a consequence of low wages and lack of job opportunities for vulnerable persons. United Nations Industrial Development Organization claims poverty alleviation rely on the way companies decide to solve social problems for those in need, providing job-opportunities, paying fair wages, providing proper working conditions.

Michael Porter introduced the concept of "shared value" that imposes to companies more than developing their business using the premises of economic, social and environmental principles, but extending CSR practices to the status of a company core value, in order to increase the company's competitiveness (Porter and Kramer, 2011). Shared values involve delivering social and for community's interest, focusing on identifying and developing partnerships between for profit and non-profit sector. According to Deshpandé et al., (1999) reaching "shared value" requires special skills and knowledge such as deeper recognition of society needs, a better understanding of the main elements of productivity, and collaborative predisposition with non-profit sector.

Corporate social responsibility (CSR) becomes a main topic on the agenda of companies that want to become appreciated on the market. Studying why corporations become socially oriented and what factors influence their approach toward CSR provides insights of how strategic development is in pursuit to achieve sustainable development. CSR must become an integral part of corporate management system, because it has a major role in distressing the relation between company and major stakeholders both internally and externally. Thus, any company that wants to become a relevant actor on the market, should struggle to combine commercial practices with social values.

According to Corporate Social Responsibility Ranking, Global CSR Reprtrak (2014) Top 5 ranked out of 100 companies are: Google, Microsoft, Wald Disney Company, BMW, Apple, demonstrates that performing and profitable companies have been able to redesign their market approach in a sustainable way, by successfully linking corporate performance to CSR. To sustain practices in the meaning of ensuring companies' sustainable development, the state should play a decisive role by providing coherent instruments and designing organizations meant to sustain companies' social and environmental value creation. Needs of current society and of the new generations are becoming more complex, while consumers, employees and the society expect more implication from both public and private sector in solving social problems.

In the next section we underline the results of our research, by observing how companies approach towards CSR influence company's stakeholders.

2. Prioritizing Stakeholders

Stakeholders tend to exert constant pressure on economic and social programs initiated by business sector, making them to become more sensitive to their needs and expectations, setting companies' overall strategy values and moving from coincidental CSR practices to complex, consistent and long-term approaches (Corporate Citizenship, 2012). Thus, company's stakeholders approach is a meaningful source of documentation that should be addressed to acquire understandings of how the companies should relate their activity to reach better performances, better risk management and easier identification and

development new opportunities. Therefore, Stakeholder engagement is a tool recommended by most international standards for sustainability reporting: G4 GRI, AA1000, ISO 26000.

Nevertheless, considering the variety of stakeholders that have different expectations and needs, developing a sustainable strategy might become not only challenging to reach in terms of economic targets but also makes difficult to set CSR strategies. On the other side, those companies that are not clearly consistent with ethical and moral principles, impacting negatively society and the environment, will be renegade by stakeholders such clients, unions, employees, local community.

Thus, setting the premises of a good relation with major stakeholders for positive long term effects imposes the establishment of commitments allowing the development of close relations with employees, suppliers, clients and local community that will actively contribute to the organization's performance.

CSR practices will draw companies' attention on moral and ethical norms in relation with the economical parameters (Nelson, 2003). The stakeholders perspective on how CSR initiatives influence company's activity and relationship with them is drawn, by analyzing the relation between CSR, corporate strategy and performance achieved (McWilliams et al., 2006). Also addressing the motivations behind these CSR initiatives will reveal companies responsibilities and obligations (Basu&Palazzo, 2008). How companies choose its' major stakeholders and the methods implemented to serve their expectations and needs, reveal companies' priorities and future perspective of the business. When setting CSR strategy it is mandatory to consider stakeholders' expectations, because this approach will avoid losing focus on major stakeholders and the costs required to satisfy their needs.

Shareholders show a growing interest towards corporate social involvement, because it provides premises for companies' sustainable development, being considered a way for strengthening companies' foundations. On the other side, media, civil society, are forceful critics when it comes of assessing performance, ethical and moral behaviour. CSR provides the instruments through which shareholders may determine executives to reach their expectations (Mathiesen, 2002), but management and board of directors, should accurately report data, relaying on ethical and moral principles, so shareholders interests will be pragmatically addressed. On the other way companies need to develop a close relation with the community from where it drowns not only customers but also employees, suppliers. The employees play a key role in business activity especially by influencing customers' image of the company (Belbin, 2011). Companies should consider using CSR to create a two way relation that is mutually advantageous, this being possible only if CSR will be seen as a necessity rather than an obligation.

CSR practices oriented to improve people's life bring major benefits to the company in terms of reputation and the increase of the customers' gratitude for the actions that help improve the consumers' life conditions (Hopkins, 2004). Company's association with CSR practices exercise a strong influence on the image perceived by the customers (Brown and Dacin, 1997), influencing clients' preference for a particular product or service (Sen and Bhattacharya, 2001).

According to European Union, CSR's definition encompasses company's approach towards its main stakeholders that take the form of assumed commitment to have a responsible and ethical conduct, contributing to community economic, social and environmental development (EU, 2011). In this context, CSR is not a mandatory mechanism, but a way of aligning voluntarily to a number of practices that are beneficial both for society and for the company that implements it. Thus, developing a coherent legal framework, designed to ensure the relationship between the company and stakeholders

might enable corporations to set future strategies in accordance to major stakeholders' needs and expectations.

Due to stakeholders' constant pressure on economic and social programs initiated by companies, results are visible in the implementation of CSR policies, becoming increasingly more significant part of the overall strategy of the company, moving from sporadic and coincidental practices, to practices that are complex, consistent and long-term aimed (Nelson, 2007).

3. Research methodology

This study is designed to highlight how prioritization of stakeholders influence CSR initiatives within large companies that operate in Romania, and to present a perspective of company approach towards shared value influence major stakeholders.

The research is based on the analysis of 87 questionnaires, and the respondents were top managers, HR managers and heads of CSR departments within large companies that operate on Romanian market. The implementation process took place from November 2014 to January 2015, and has reached 1146 large companies operating on Romanian market, via e-mail. We got 87 valid answers and a response rate of 13.17%. Although this is a low percentage, due to the topic addressed, the results can be very well generalized and clear strategies might be highlighted.

Objective and hypothesis

O1: Identifying major stakeholders and their contribution in companies' long term development plan

H 1. Companies' clients are considered to be the most important type of stakeholder due to the significant impact on business development

H2. Companies' development rely significantly on clients, employees and shareholders.

The limits of this study is given by the small number of respondents, which stems from the method used to disseminate the research instrument, the low availability of respondents in filling in the questionnaire, the lack of readiness and of social awareness, and the difficulty of finding suitable respondents to provide reliable answers.

4. Results interpretation

Based on a predefined list of the major stakeholders that can influence CSR initiatives, the respondent had to point from 1 to 12, where 1- is the most important and 12-least important, the most representatives stakeholders that influences companies decisions. Thus, they had been able to remember those stakeholders that otherwise would have been difficult to spontaneously remember.

Table 1. Stakeholders Repartition according to their importance

Stakeholders	Mean
Own employees.	3,11 (SE= 3,234)
Customers.	4,30 (SE= 3,3319)
The local community.	5,30 (SE= 3,130)
Business partners.	5,89 (SE= 2,513)
Public authorities.	6,00 (SE= 3,234)
Shareholders.	6,01(SE= 3,563)

Stakeholders	Mean
NGOs.	6,53 (SE= 7,795)
Investors.	6,72 (SE= 3,034)
Press/Journalists.	7,33 (SE= 2,763)
Financial Analysts.	7,48 (SE= 3,477)
Competitors.	7,48 (SE= 3,577)
Unions.	7,55 (SE= 3,508)

Source: Own research

The first stakeholder, in terms of importance, was considered to be the employees that demonstrates respondents' considerations for the human resources. Nevertheless, the employees play a tremendous role in companies' activities, and the progress and development relay on employs skills, abilities, capacities to produce value for the companies' purposes and to create synergy. Actually without having a proper human resource, no company will be able to reach not only economic objectives but neither environmental nor social objectives. Customers are considered to be the second stakeholder as importance. This finding is justified by the fact that every company has as a main objective to be profitable, by selling goods and services to a larger number of clients. So companies in their struggle to reach competitive advantage must understand customers' expectations, needs and perceptions. Considering local communities as a major stakeholder demonstrates that companies tend to be very attentive not only to community's reactions towards companies' activities, but also in assessing companies' impact on local environment and local society.

Less important are considered to be the unions, this can be out of two reasons, either employees rights are respected and the active involvement of unions is not needed, either unions are not interfering to much in companies' activity.

Next step was to identify how companies' managerial decision meant to reach shared value impacts stakeholders. Considering that top management decisions and strategies influence stakeholders perceptions and expectations, knowing which of them has a greater influence on specific activities that strengthen the company, is of a major importance in prioritizing stakeholders and future perspective of how the company should be managed finding common interests that led to the same result. Thus we have considered four main variables that from our point of view play a major role in companies' development in a sustainable waym, not only economically but also social and environmental like: "activities meant to reach sustainable development", "CSR contribution to general strategy consolidation", "companies notoriety on the market developed through social and environmental campaigns", "social companies continuity developed by companies" (see table 2). Actually, following respondents' perceptions of how these action developed by companies impact major stakeholders, will provide insights of stakeholders' perceptions enabling strategic decisions of how companies should use social responsible practices to meet main stakeholders' expectations, all these leading to benefits that in the end impacts company's development, recognition and continuity.

Table 2. The role of major Stakeholders

	Sustainable Development	CSR contribution to general strategy consolidation	Companies' notoriety on the market through social and environmental campaigns	Social companies continuity developed by companies
Shareholders.	F=8.372; ****	F=9.407; ****	F=4.280; ***	F=11.188; ****
Unions.	F=3.928; *	F=.365; n.s.	F=3.475; *	F=.691; n.s.
Business partners.	F=2.414; n.s.	F=6.972; ****	F=4.088; ***	F=10.744; ****
NGOs.	F=3.824; *	F=4.243; ***	F=3.771; **	F=10.97; ****
Investors.	F=5.543; ***	F=.295; n.s.	F=2.551; n.s.	F=8.933; ****
The local community.	F=12.471; ****	F=4.902; ***	F=6.309; ***	F=24.199; ****
Competitors.	F=.288; n.s.	F=1.030; n.s.	F=.948; n.s.	F=9.498; ****
Public authorities.	F=7.354; ****	F=9.750; ****	F=2.672; n.s.	F=7.110; ****
Own employees.	F=5.920; ***	F=12.483; ****	F=5.514; ***	F=8.188; ****
Customers.	F=9.489; ****	F=8.317; ****	F=2.261; n.s.	F=3.152; **
Press/Journalists.	F=9.938; ****	F=1.198; n.s.	F=.777; n.s.	F=5.871; ***
Financial Analysts.	F=3.020; n.s.	F=.450; n.s.	F=9.962; ****	F=9.332; ****

**** $p < 0.001$; *** $p < 0.010$; ** $p < 0.05$; * $p < 0.1$; n.s.=nesignificativ; p =significance level; F=ANOVA test

Source: Own research

Developing activities meant to reach sustainable development besides social and environmental effects, we observed that these practices influence the greatest majority of stakeholders. Greatest correlations have been established with local community, the press/journalists, customers and stakeholders. According to customers' perceptions, the practices meant to reach sustainable development strongly influence them because this can be reached out not only through new innovative products, better quality, but also with the aid of their active involvement in the process by buying these companies' products. Business partners are not influenced by company's sustainable development, that can demonstrate that once making businesses together this aspect do not play a significant role in the collaboration and criteria such as price, quality, costs are more important. Also, companies sustainable development do not influence competitor approach of the market that could lead to the conclusion that CSR is not seen as being a core factor in gaining competitive advantage.

The greatest influence of CSR to general strategies' consolidation can be seen on the employees, shareholders, and customers that is justified due to their role in companies' decision making process. What surprised us was that insignificant correlations that were established with competitors that makes us to conclude that the majority of the companies that operate on Romanian market do not consider CSR an important differentiating factor from major competitors.

Analysing the influences of companies' notoriety reached through social campaigns on stakeholders, we can see correlations are not so intense, except one established with the financial analysts. Also a significant correlation but with a lower intensity was established with „local community“, „employees“ and „shareholders“. Nevertheless, compared with previous cases we can conclude that companies' notoriety through social and charitable actions do not strongly influence stakeholders' perceptions of the company.

The last aspect considered was identifying how companies' continuity in developing social activities impact the stakeholders. Thus we observe major correlations with the greatest majority of stakeholders except unions. This underlines that once companies consider CSR a core value this must be sustained through continuous and persuasive actions, because only so stakeholders will associate the company with social activities.

5. Conclusions

The national competitiveness has determined companies to find new ways of differentiation, CSR becoming more and more important, not only in developed countries but also in developing ones. Stakeholders play a significant role in the decision making process, influencing the priorities of strategic managerial decisions. Thus, companies should rely on clear set of values meant to enable companies to prioritize them considering its vision, expectations, strategies, and core values. Knowing how stakeholders are influenced by companies' social responsible decisions, will enable company not only to redesigning CSR strategies in order to have a major impact on those relevant ones, but it will make easier to forecast stakeholders' perceptions and reactions towards the company. A major question addressed by this article is referring to the identification of the most relevant stakeholders perceived by representatives of the companies that operate businesses on Romanian market, and how are they influenced by those strategies.

Studying how CSR is perceived and approached by companies on emerging markets like Romania is a topic of interest both for theoreticians and academicians, because provides insights of how shared value can be achieved through CSR providing a point of view, of how should social, economic and environmental components be integrated, in the companies' overall strategy.

Currently there is a significant lack of structure and rules to guide clearly social responsible practices and most companies end up to superficially treat CSR. In this framework, the state must learn how to play the decisive role, this can be achieved by building legislation to support value creation. Needs of our society and those of the new generations are getting greater and much more complex.

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