Corporate Social Responsability and Organization Policy

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Abstract. At a time when the world is interested in phenomena such as, ecology, environment, food safety, ozone layer depletion, famine and their effects on social responsibility initiatives are becoming increasingly well received. Even if you can not give a real dimension of the concept of social responsibility-taking as any guarantee of success, an organization must be aware that there is only a tool for maximizing the value of image design, but an essential element of long-term success in direct connection with social and environmental performance of the community. To work is to highlight the link between corporate social responsibility strategies and success in solving organizational policies company issues under restrictive conditions imposed by nouile economic, social and political.

Key words: corporate social responsibility, ethical business practice, organization policy

1. Introduction

The concept of corporate social responsibility, although relatively recently employed by the Romanian literature, recorded the first academic debates in the early 1950's. Originally promoted as" social responsibility", the concept targeted especially the society's expectations from the business environment and companies' ethical obligations related to it. Thus, Howard Bower also nicknamed as " the father of CSR" defined the concept as the" obligations of businessmen to pursue those policies, to take those decisions or to follow those directions that are approved in terms of values and objectives by our society".

Later, in 1970's an adverse opinion was issued, according to which CSR changes the companies' behaviour in order to meet the requirements of the environment. Also Milton Friedman's "stakeholders' paradigm" was promoted during the same period of time which states that the greatest responsibility of a company is to maximize the financial outcome towards the shareholders.

Between 1980 and 1990, *the Stakeholder Theory* had had an important impact on the CSR discourse and changed Milton Friedman's points of view. Thus, the nationality of a company is connected to the social contract theory - according to which a company belongs to many communities in which it develops its business and less to certain people and as an extension of this company, it has both rights and obligations to the community. The 1990s were marked by a new concept which appeared in England, that of corporate governance. Corporate governance is defined as the management of the entire system of relationships between board, management, shareholders and other stakeholders. The issue of corporate social responsibility had increased in importance only in the early 90's with a considerable acceleration towards 2000.

The debate on corporate social responsibility concept is integrated into the global debate on sustainable development, aspect which was made formal by the United Nations in 1992 during the World Summit held in Rio. The issue of sustainable development was initiated in 1970 with the publishing of the first report of the Club of Rome, which was entitled "The Limits of Growth". Brundtland report (1987) defines sustainable development as "development which meets the needs of current generations without compromising the ability of future generations to meet their own needs." If before 2000, the sustainable development had been a topic approached in macroeconomic terms, nowadays it is approached especially in microeconomic terms, on the level of economic entities. The issue refers especially to large

multinational corporations, given their turnover and presence in all world countries including those where the protection of human rights or the fight against corruption is not a priority.

2. Corporate Social Responsibility in European Union

Since 2000, the European Commission and the European Union countries have been increasingly interested in the corporate social responsibility. Beyond the common European discourse, social responsibility practices have evolved in a different way from one country to another, depending on each region's traditions and economic and social specific character. According to the European Commission, a company, in order to be socially responsible, should integrate in its strategies and actions, the social and environmental issues related to interactions it is involved in.

In July 2001, the Commission published the Green Paper in order to ensure and promote a common European framework for corporate social responsibility that can be used by the public authorities of all levels, namely companies, social partners, stakeholders, international bodies to "express their opinion on how a partnership should be formed so that a new framework is created to favour CSR, taking into account the stakeholders interests".

The concept of social responsibility was introduced by the European Union with the stated purpose of contributing to the implementation of the strategic objectives that were set at Lisbon, in order change it into an economic space characterized by competitive capacity and dynamism, able to ensure a sustainable economic increase and social cohesion.

The definition provided by the European Union shows that "corporate social responsibility is a concept whereby companies integrate their social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. In this context, taking into account the priority axes marked by the Lisbon Strategy [European Council Presidency, Lisbon European Council, March 2000], Council of Nice [European Council Presidency, Nice European Council, March 2002] and Council of Göteborg [European Council Presidency, Göteborg European Council, June 2001], Romania aims to create a competitive and dynamic economy, a social integration based mainly on reducing the economic development discrepancies, strengthening environmental protection and accomplishment of a sustainable development model. The research conducted in the developed European countries [European Commission, March 2007] highlight a number of problems encountered by the present day society, such as: recycling, reducing energy consumption and prevention of water and soil contamination, air pollution, overworked employees, destroying of wildlife and flora, etc.

Moreover, the survey that has been conducted by KPMG[79] over the recent years emphasises a real upward trend of the social responsibility phenomenon within the world's large companies associated with the need to be a good corporate citizen. But for most Romanian companies social responsibility is limited to social investment campaigns such as sponsorships, donations, charity events, without any ideas or substantial concerns formulated in coherent strategies. Thus most programmes are ineffective; they do not have any clear-cut social and marketing objectives, are neither assessed nor promoted by a professional. For the general public, the news concerning the companies' social programmes lack credibility and for journalists the press releases on such community events are not even regarded as interesting.

Among the factors that can contribute to creating a socially responsible attitude on organisation level we mention the following:

- the need of companies to achieve social performance besides the economic and financial performance; aspect which may be regarded as an advantage in investors assessment;
- consumers, authorities requirements concerning the companies outcome;
- adverse effects of companies upon the environment;
- increase of business transparency by drawing up and making the reports available both to the stakeholders and to the public in general.

According to the European Commission there two reasons for public involvement in social responsibility. First social responsibility can be a useful tool in promoting community policies and secondly the use of different tools by CSR (for instance management standards, labelling and certification schemes, reporting, etc.), which are difficult to compare and may generate confusion in companies, consumers, public institutions and investors.

In this context, the European Community has the role of facilitating tools convergence due to the need to provide a common framework and a proper running of the internal market.

According to the European Commission companies' initiatives on a voluntary basis, taking the form of social responsibility practices can be regarded as an essential contribution to sustainable

[79] *http://www.csr-romania.ro/cercetari/sondaj-kpmg/486-dezvoltarea-durabil-factor-de-responsabilitate-i-transparen.html*

development, thus strengthening the business environment and innovation and competitiveness potential in Europe. Moreover new guidelines of the European Parliament are considering the increase of SMEs involvement in corporate responsibility projects, visibility increase by integrated dissemination of social, environmental and financial information by companies, the compliance of multinational companies with the standards and social and environmental conventions and international agreements.

Research conducted at the international level is comprehensive and complex. Thus, according to the Analysis Centre from Copenhagen there are certain indices which assess the competitiveness of the corporate responsibility phenomenon. The analysis framework was determined on the following criteria[80]:

- corporate governance (transparency degree of decisions, applying accounting and audit standards, independence of executive directors);
- ethical business practice (existence of ethical codes, cost of corruption, anti – dumping measures etc.);
- human capital development (regulations that protect employees, budgets for professional formation and development, workplace security);
- civil society collaboration (degree of civic transparency, public trust in business);
- environmental management (compliance with regulations concerning the environment, toxic gas emissions, implementation of waste management systems).

According to this study Finland ranks first followed by six other European countries - Switzerland, Sweden, Norway, Denmark, Netherlands and United Kingdom. For Romania the criteria which were graded as 'unsatisfactory' (less than 50 points) are the following: environmental management, ethical business practices, corporate governance, relations with civil society. In the 'satisfactory' category, the human capital development was included.

3. **Corporate Social Responsibility in Romania**

The concept of social responsibility is a real challenge for the Romanian business environment. After multinationals introduced social programs on the Romanian market in the late 90's, in ten years CSR has become a trendy and fashionable concept that begins to crystallize in long-term trends, in market-specific practices, in a set of values and criteria that can help companies to distinguish between performance and professionalism on the one hand and the lack of transparency and honesty on the other.

The economic environment complexity and organizational complexity determine new requirements in organizations management and communication level to ensure the strengths and advantages against the competitive forces. Within this context several areas of interest can be marked, namely sustaining areas where there is poverty, areas where economic activities affect the environment. CSR can be also seen as an expression of the business environment dynamics, of ethical spirit and of care for resources in accordance with the sustainable development principles.

Although we speak about an acute necessity, CSR can only thrive when the proper legal conditions are created and certain policies that consolidate public trust are implemented. However this aspect is still critical for Romania. Thus private sector business is formally state independent but in reality many sectors are over-regulated whereas others, on the contrary are facing the lack of proper regulation. These drawbacks are also explained by the lack of communication between government, economic entities and civil society. This policy uncertainty is also triggered by the selective application of the regulations for political and economic purposes. Business environment representatives consider that the legal system does not stimulate them to get involved in social activities.

According to the foreign analysts, corruption has still remained a problem which requires urgent solutions and it is probably the most worrying aspect of the social irresponsibility of companies that run their business in Romania. By monitoring the current Romanian business environment several defining elements have been identified regarding the meaning of CSR. Thus, the positive aspects refer to the following:

- yearly increase of CSR initiatives among Romanian companies (for instance multinational companies Vodafone, Orange followed by Petrom, BCR, Automobile-Dacia, Carpatcement); According to the statistics studies the most responsible companies from the Romanian business environment are the following[81]:
- organizing conferences, symposiums on CSR in Romania;

[80] *Responsible Competitiveness Index - Aligning corporate responsibility and the competitiveness of nations - www.accountability21.net/publications.aspx?id=460*
[81] *http://www.responsabilitatesociala.ro/dialoguri/bilantul-responsabilitatii-sociale.html*

- increase in number of companies that publish information on CSR policy, projects they carry out, achieved results as part of their annual reports (e.g. Siveco, Orange, Vodafone);
- expanding the public-private partnerships.

Nevertheless we should also mention the list of less comfortable aspects of what is intended to be a distinct and full-fledged field:

- inconsistency of programs, initiatives, strategic guidelines in Romanian CSR, many companies offering the financial crisis as a real excuse;
- reduced number of real CSR programs, many of them being simple sponsorship or donation events;
- lack of research, of some complex analysis which would be used to avoid intuitive decision-making in CSR;
- advertising tendency of some CSR reports;
- most SMEs managers mistake CSR with donations and sponsorships which indicates their lack of information, education to be responsible;
- insufficient awareness of the need for CSR activities and their benefits;
- lack of a common language and perception on what CSR is;
- CSR programmes are not always designed to meet a real social requirement;
- Involvement in CSR activities not as a strategic approach but only for a short-term image benefit;
- High degree of the general public's distrust concerning the business environment and especially the political one;
- Tendency in recession period to reduce the budget intended for CSR activities;
- Social responsibility programmes are not a priority for the Romanian business environment;
- The challenges described by the company range from the difficulty of selecting the most relevant causes and their prioritizing to the difficulty of finding a common language with other community actors (organizations, public institutions) and to the public opinion concerning companies that promote their community programs;
- Reduced number employee volunteer programmes of Romanian companies.

Despite the fact that the scales are tipped in the negative position, there are however real opportunities to increase the degree of CSR favourable perception among the Romanian companies. Basically we can identify certain opportunities that provide the business environment the chance to support corporate social responsibility through real policies.

The study "Developing the concept of Corporate Social Responsibility in Romania, within a European context " concludes that[82]:

- In Romania, the definition of CSR as well as the practices in the field generate still a variety of interpretations and different understandings by companies.
- So far, in Romania many of the multinationals, used to run such programs in most of the countrieswhere they operate have applied the CSRs principles as in their country of origin.
- Public-private partnership is not a mechanism that can support development of CSR programs.
- CSR is still perceived by companies in Romania as charitable giving, while companies show little awareness of understanding of the broad concept and its multiple facets and roles.
- 2/3 of companies surveyed belived that integrating CSR in company's management has a positive impact and make it more profitable, but only 17% believe thatthis has a large impact, while 34% believe that it has a small influence.

Many companies tend, at least until recently, "to choose spectacular, easily communicable and well presentable roles rather than charity and CSR action that would logically follow from their core business activities. Particularly for subsidiaries of multinationals, CSR was typically rooted in the PR or communication divisions, placed under great pressure from the executive management to deliver spectacular and communicable acts, targeting mostly the *consumers of all the possible* stakeholders, *"a fast returning investment"* .[83]

There is not enough information at this moment about the real thinking of Romanians about social responsibilities of companies.

Some positive aspects regarding the development of CSR among SMEs[84]:

- Importance given by governmental bodies and agencies in order to support CSR for SMEs:
- change of laws, new legal provisions in this respect, creating special departments for this topic.
- Financing programmes supported by Government or civil society in order to implement CSR for

[82] *CSR and Competitiveness - European SMEs' Good Practice - National Report Romania 9 Austrian Institute for SME Research Chamber of Commerce and Industry of Romania Constantin Udrea, Ana - Cristina Ionescu*
[83] *idem*
[84] *CSR and Competitiveness - European SMEs' Good Practice - National Report Romania,p.18*

SMEs.

- EU funded programmes for awareness and support the implementation of CSR by the SME sector.
- More and more articles in newspapers, special dedicated web-sites, more and more events, seminars, conferences, in order to make known the concept of CSR and real advantages for companies.
- All involved parts: companies, clients, suppliers, local authorities, mass media, began to understand the importance of CSR and step by step to choose companies and the products and services of companies which introduced CSR strategies in their activities.

3.1 Good Practice Company Case Studie - SC GALFINBAND Galati, Romania

The company Galfinband Galati was established in 1991 in Galati and develops its activities in areas like: design, execution, trade of metallurgical products and installation. The company which reunites a number of 135 employees (out of which 5 represent the management, 86 are operational staff and the rest auxiliary) had a turnover of 6,311,757.05 EURO in 2005.

Galfinband SA has involved in Corporate Social Responsibility, being aware that this aspect is very important for: customers' loyalty, for personnel's work environment, for the company's public image. One of the CSR activities of Galfinband Galati involves the participation in international financed projects, e.g. "Raising the awareness of CSR especially among SMEs" in 2004, run by The European Commission, together with EUROCHAMBRES, Oglivy and UEAPME. The aim of the project was finding socially responsible SMEs and disseminating their CSR stories. Each partner was to organize a one-day CSR event. One of the two case studies for Romania was Galfinband Galati who also participated and had an intervention in the closing event of the project in Brussels in May 2005. At the conference, Social Corporate Responsibility that took place at the Chamber of Commerce and Industry of Romania and Bucharest on November 4th two workshops were organised. One was focused on issues related to the community and the other regarded environment related issues.

Galfinband Galati was also involved in supporting the community in which the company develops its activity by: equipping an IT school laboratory in Galati and offering sponsorships: grants for children with outstanding results in school and sponsorship for Pantelimon Parochial House. The general strategy of the company implies responsibility towards the environment, the operational security and health field, but also providing a better and safer work environment for the employees. There is no person to be responsible for this kind of activities within the company, in CSR field for the opportunities created; the decisions are taken by the board of directors.

The company has the experience of several projects developed. During the implementation process of the project they noticed the following: a low reaction of the local authorities, low interest in point of the beneficiaries (e.g. the people who received the donations), problems that occurred after the implementation of the project (equipments missing), no positive reaction were perceived following the activities, mentioned above.

When starting a project, in the designing phase, the responsibilities are established as are the methods and resources in point of measuring, monitoring and reporting. The company considers that there isn't any proper perception and neither is the interest for CSR activities, for the moment. There is still the perception of "hidden business", the social partners' lack of interest is shown by the time they realise that it is not a business, but an expense with uncertain results/benefits.

Sometimes when initiating a CSR activity in order to help the community the companies look for partners: local administration, mass media or other stakeholders in order to support them. Galfinband plans to disseminate the CSR activities that they develop more in the future and they want to get more information on CSR – the activities that a SME can develop in this area and the benefits. If more and more SMEs will undertake CSR activities and also disseminate them at a national and international level the particular CSR activities that each and one SME develops will indeed provide a better image in the community, higher awareness among its clients and better financial results.

This project is a wonderful opportunity in point of creating awareness for CSR, provides examples of good practices in the area and pointing out the benefits that an SME can have trough developing CSR activities. The concept isn't unknown to the SMEs and linked only to big companies, but because the SMEs are rather reluctant to communicating about CSR and they do not see themselves as CSR promoters.

In conclusion, the image of a company and its corporate identity have become fundamentally important. Thus, an organization must prove transparency and correctness because to make a quality product is no longer enough. Moreover, the organization must prove itself a good corporate 'citizen', that is, it cares about the environment it operates, the effects it determines.

On the other hand, it's obvious that the consumers are more and more sensitive and critical when talking about issues of social and ethical nature. A new type of consumer has appeared in this context, with very

high expectations. Considering that the requirements have increased on both sides, the involvement in community has become necessary for any company that wants to ensure not only the commercial success, but also the society's respect. The trust and respect of the community's members affects the whole activity of the company, that's why it must contribute actively to the society's development. The benefits accomplished are first of all represented by the three terms: acknowledgement, reputation, gratitude.

Thus, we can have a real process, by means of which we create a responsible society in which the companies try to cultivate a sense of responsibility and a better capacity to understand the economic, social and environment problems the society is confronted with, and the consumers are equally exigent and responsible.

The organizations' actions success is insured by the permanent dialogue with the consumer in order to satisfy him by means of the goods and services offered. In front of a polyvalent consumer, the companies' marketing specialists are challenged to find new references to understand the mechanisms that guide the consumer's behavior and profile emphasis. Referring to the respect that must be given to the consumer, it starts with some real knowledge and understanding of the elements that are the basis of his decisions, respectively the creation of his behavior. The today consumer is permanently seeking for a meaning that is not always compatible with the rationality or utility notion.

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