

## An Explanatory Model of Corporate Social Responsibility Implementation in Romania

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**Abstract**—In a world divided because of hunger, poverty, diseases, inequalities, people's most important desire is to build a society which shares common values and interests for the common good. Every community needs to recognize the limited resources at its disposal and therefore to be aware of the meaning and implications of notions such as “responsibility” or ‘corporate social responsibility’ (CSR). The main objective of this paper is not to produce a definition for CSR, but to analyse its most important dimensions and, also, to identify the characteristics of Romanian CSR. Using the secondary analyses method to understand data of existing researches, I noticed a huge gap between the progressive declarations and attitudes of Romanian managers and the small number of companies that have reported CSR activities in accordance with international standards. Therefore, this paper identified the main psychosocial processes that explain the difference between their declared attitudes and behaviours and explain why CSR is only a rare proscriptive behavior in today's Romania.

**Keywords:** *corporate social responsibility, attitude – behaviour discrepancy, economical organization, manager.*

### I. INTRODUCTION

Far from being an outdated or a philosophical exercise, the understanding of the meaning of responsibility in general and that of corporate social responsibility (CSR), in particular, is crucial in a society which needs to recognize its limited available resources. The discussion on social responsibility requires an interdisciplinary approach because of the multidimensionality of the concept and its reverberation: the responsibility is present at individual, family, group and societal level, and is discussed in close connection with issues of ethics and morality, cooperation and self-sacrifice, social solidarity and so on.

### II. DIMENSIONS OF CORPORATE SOCIAL RESPONSIBILITY

In conventional terms, responsibility is seen as the obligation to do something, to give an account of something, to accept and to be held responsible for something, to have a conscious attitude and a sense of accountability for social obligations. As in [1], individual responsibility occurs in situations in which a person behaves “according to moral principles”, “is responsible for an action already done” or even for “a wide range of possible actions”. Also, the

individual may be “labeled as responsible” or he or she may “accept the responsibility”.

Specialists have brought some nuances to the characteristics of people designated as responsible for a given fact or another. For example, physical and psychological integrity of a person is not necessarily correlated with responsibility. Like this, managers of cigarette companies may fall under this category because, despite a concern for their own health, they do not take any responsibility for their collaboration in the widespread health risks and harm cigarettes may cause for human beings.

Usually, individual responsibility corresponds to a person's character trait, but its significance has changed as society itself has changed. Theories about social responsibility are usually the reflection of the era in which they were conceived. The evolution of society may be an explanation for the fact that in the last century the interest has shifted from the individualistic perception of responsibility to the collective or the social sphere. In the same way the personal responsibility refers to the responsibility of the individual moral agent who has negatively influenced the world, collective responsibility refers to the accountability of a collective agent.

In general, with regards to serious global problems like hunger, conflicts, demographic explosion and so on, there is a belief that no one can solve anything by oneself. Therefore, when discussing such issues, people feel deindividuated [2] and do not feel responsible for anything. But in the same way that the individual's lack of response makes one partially responsible for a wrong result, the inaction of a collective group of people should make them responsible for the harm.

Unlike individual and collective responsibilities which are conceptualized in terms of liability to certain activities undertaken by the group or the individual, the social responsibility is described in terms of obligations that a social group has towards society.

Social responsibility as a concept belonging to social sciences has a short history it is a concept that keeps expanding fast. However, as literature from the beginning has highlighted, there are rather dissonant opinions what the concept means among specialists. The term “responsibility” does not stand for the same thing for everyone: while some define responsibility with reference to its legal overtones, others take responsibility to mean a behaviour which is

ethically correct and is equivalent to “being responsible for”, “charitable contributions” or even the legitimacy of fiduciary duty.

For example, studies on the concept of cross-cultural CSR have revealed that, when asked what CSR is, people in Thailand have emphasized environmental issues, while those from Ghana have underlined the power of local communities. This could be one of the reasons why local managers of transnational companies may find it difficult to implement ideas at local level because those ideas had been conceived in another cultural context. The differences between the approaches mentioned above can be frustrating for managers accustomed to operating on instruments like balance accounts or quality control standards, but forced to work with terms such as “environmental management”, “corporate philanthropy management”, “stakeholders”, “labor rights”, “community development”, “socially responsible investment”, “sustainable development” etc [3].

One of the main sources of ambiguity is the conceptual overlapping of this concept with many similar terms such as “corporate citizenship”, “corporate philanthropy”, “corporate societal marketing”, “community affairs”, “community development”, “corporate donations”, and “community sponsorships”. In literature, in order to avoid confusion, it is considered that “philanthropy” refers to those actions which are organized for charitable and humanitarian purposes. To this end, “donation” is a method that companies use in order to provide financial support to an organization or a community to which it belongs. “Sponsorship” is also a method which provides financial support, but under the conditions of a deducted income tax, limited to 0.3 percent of the profit, while corporate social responsibility is a strategy in which business can interact with the community in trying to identify the solutions to the problems they face with.

The concept of CSR has quickly moved from the position when it was considered that “the social responsibility of business is to increase profits” [4], to “...the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organisation it is or intends to be, and the nature of the economic and non-economic contribution it intends to bring to its shareholders, employees, customers and communities” [5] or, simpler, “[corporate] citizenship means active commitment... It refers to making a difference in one’s community, one’s society, and one’s country” [6].

World Business Council for Sustainable Development (WBCSD) is using a different definition: “CSR is the continuous business commitment to behave ethically and to contribute to economic development while improving the quality of the life of the workforce and their families as well as that of the local community and society at large.”

The need for managers to take on a progressive social role in the community is reflected in the definitions which state that CSR is “the process in which managers in an organization think and discuss relations with interested groups and their roles regarding the common good” [9].

To synthesize, CSR is equivalent to “feeling well by doing well” [7] or “a commitment to contribute to the welfare of the community through their business practices and contributing to corporate resources” [8].

One of the main limits of CSR is the evaluation of social responsibility as a consequence of the conflict between managers and shareholders. The reason for the conflict is the shareholders thinking that managers use CSR as a way to secure their political and community career by using the funds of the shareholders, instead of spending money more wisely to increase business efficiency [4]. Most of the opponents of CSR believe that focusing on this issue leads to disruption of key organizational objectives by shifting attention from the main role of the organization [10]. Other specialists [11], [12] are appalled by the manner in which multinational companies exploit the law of the foreign countries, while the other emphasizes the existence of a strong correlation between internationalization and social responsibility, focusing thereby on achieving social justice [13], [15].

While the objective of this paper is not to produce a better definition for CSR, still it is important to underline some of its most important dimensions, such as the expectations of the stakeholders about how the organization should act, the obligation of firms to behave ethically. Further, the fact that there are no absolute standards for CSR and the definition of CSR depends on the way it is defined by each generation, too has a bearing on the importance of managers' role for the development of the community.

### III. CORPORATE SOCIAL RESPONSIBILITY AND ENTREPRENEURIAL PERFORMANCE

Social responsibility has shown that, over time, there are many positive effects, both in the socio-economic field of the actor engaged in those activities and in the wider community. For example, the highest prosperity is registered in countries that emphasize cooperation and trust between actors and value the human and social capital (such as people’s ability to work together for common goals and to create useful interconnections) [15].

The difficulty to differentiate positive and negative effects of socially responsible actions explain why studies on the relationship between CSR and financial performance are often inconclusive: recent studies have shown no correlation [16], a positive correlation [15] or a negative correlation [17]. Margolis and Walsh [18] surveyed over 95 such studies and found that 42% of them indicate a lack of any correlation. The economic utility of CSR reflects an increasing marketing impact especially when consumers are really interested in some key social issues [19]. A secondary analyses of the data from various surveys concluded that CSR activities of companies are not well known enough [20].

When choosing a service company, 34% of respondents would avoid buying a product or service from a company perceived as being ethical, 16% look for information about its business practices, and 50% did not intend to purchase a product from a company which is not considered to be socially responsible. In general, consumers have a positive

attitude towards the company if it developed CSR actions [21].

#### IV. ROMANIAN POSTCOMMUNIST ENTREPRENEURIAL FIELD

In a synopsis of the most serious situations that would require immediate raising of social consciousness of the global economic environment and to take part without delay in socially responsible activities, Jörg Andriof and Alyson Warhurst, have mentioned a case from Romania: Remin Company (associated with the Australian Company Esmeralda), which was engaged in a major ecological accident which led to pollution of river Somes and river Tisza in 2000 [22].

Because of the new characteristics of the contemporary society a new operating paradigm was borne. Therefore, companies are no longer obliged to “do no harm” nowadays, but they need to demonstrate positive benefit and to engage directly in corporate social investment to ensure that host communities receive direct and immediate benefits.

Unlike the global economic environment, in Romania, CSR found a different field to be implemented on. Romanian businesses during Communism had functioned having to meet the demands of individuals as a major objective. All the companies were state-owned. They sometimes implemented large-scale and costly social programs under political directives, and not otherwise. The post communist option for a free market system implied an urge for the companies to be more competitive and more interested in profit. As Romanian managers may still be affected by the ideology and experiences during Communism, to accumulate the profit and at the same time to spend money for social responsibility seem to be irreconcilable issues.

But the problems post communist Romania faced with after the end of Cold War were dramatic: a disastrous environmental infrastructure, large scale pollution, often outdated industries, especially in the energy, mineral extraction and metallurgic fields and so on. To become a member of the European Union (EU), the country had to transform and enforce a very strict legislation and standards according to those of the EU. However, these entire newborn and immature legislative and institutional frameworks have their side effects, such as corruption or bad governance, which have slowed down economic development, disabled social services, retarded the establishment of civil society, and reduced business competitiveness [23].

In order to overcome such difficulties, the need for Romanian business to involve in social responsible actions is increasingly deeply felt throughout the society. According to a research conducted in Romania [24] managers consider that their role in the community and their responsible behavior means to comply with existing regulations, to establish partnerships with stakeholders, to act in a transparent way and to behave in an ethical manner. Romanian managers are preoccupied mainly with issues such as avoiding exploitation of children, the health of their workers, environmental protection, insurance company profits and maintaining job security. They deem codes of conduct are useful in order to build a better reputation, to

improve relationships between employees, to gain a competitive advantage, to act according to the laws and to better manage the identified risks.

The main obstructions for implementing CSR by managers are the lack of proper legal frameworks, the high costs involved and the lack of visible results. As for the benefits of CSR, they are seen in terms of improving the image and reputation of the company, promoting solidarity in the community, prolonging the longevity of the corporation and increasing the loyalty of the employee.

Still the concern of entrepreneurial Romanian field to augment the CSR initiatives is notable. Governmental statistics show that every year, the firms’ total investments in corporate social responsibility activities were over 10 million Euros, but most of the money was spent on donations or sponsorships for programs of social assistance, contributions, support provided to charitable agencies and corporate events, financing scientific or research projects, financing educational programs, support provided to underprivileged, and programs for protecting the environment.

In 2006, Romania also organized the first CSR conference in East Europe. Participants highlighted that CSR is promoted in Romania because it leads to reputation improvement, raising clients’ and employees’ fidelity, raising visibility and market differentiation. Therefore, it can be concluded that it is not the corporate citizenship that led to social responsible actions, but raising sales and profit.

#### V. A PSYCHOSOCIOLOGICAL EXPLICATIVE MODEL OF ROMANIAN CORPORATE SOCIAL RESPONSIBILITY

International standards consider that the integration of principles of CSR within its activity and its periodical report represent the proof that a company is “socially responsible”. As a consequence, voluntary reporting has become part of the operational culture of many companies worldwide lately. Romanian managers involved in CSR also reported different initiatives in education, health, instruction of technical abilities, sustainable development.

However, up to now, the situation in Romania is still unclear as there are not enough researchers to investigate and describe it properly. A non representative research conducted by World Bank [24] marked out that 69 percent of the companies have anticorruption policies, 86 percent publish annual financial reports, 40 percent report their environmental performance, 30 percent report their social performance, and 6 percent have clear criteria for contributing to political candidates.

According to another initiative, Global CSR Resources which has to collect the reports of companies worldwide, there are only six Romanian companies registered, but only four of them submitted their reports on the site. To be more specific, Romanian Commercial Bank and Energy Holding have not shown any progress report, Petrom was reported by its parent company OMV Austria, Romtelecom has submitted a report for the year 2006-2007, Orange has submitted three reports for the years 2003-2006, and Holcim also registered with three reports for the period 2005-2008. By comparison, Poland is registered with 22 companies, Austria with 159, and United Kingdom with 939 companies.

Also, Global Reporting Initiatives includes in its list only 4 Romanian companies for 2009: EurActiv Romania, Dona Pharmacies, Orange Romania, Romstal.

One can easily notice a significant gap between the results indicating the important percentage of managers who think they are engaged in social responsible activities and the number of firms that had reported CSR in accordance with international standards.

Using the instruments of social psychology it can be noticed that in the Romanian society there is a discrepancy between managers' attitudes and their behaviors which is reflected in their statements and in the way they should be translated into practice.

As the theory of rational action [25] stated, people behave logically and make decisions based on reasonable assessments. Individuals act in a manner or another because of a previous intention to perform a certain action or not. This intention becomes an effective behavior depending on the match between the social norm (the cultural standards that define the proper behavior in each situation) and the subjective norm (how the individual feels pressure from others in the decision to engage in a behavior or not). Therefore, the Romanian managers may express their intention to develop CSR actions, but are prevented in doing so by shareholders who may disapprove the spending of income for social purposes.

Hence, the divergence between the attitudes and behavior of Romanian managers can be determined by the context. Very often, in order to behave in a certain way people are forced to consider various codes of conduct, social conventions or peer-pressures.

Impression management theory also stresses that people often prefer to make good impression on to the other and it is not necessary for this to be determined by their deepest attitudes, but again by the subjective norms people face with. Since Romania is a country with limited financial resources, it is relatively difficult for managers to direct money towards activities that do not make profit immediately, especially because of the repercussions such actions may have on their image.

Under the communist regime Romanian people adopted strong economic habits which can be found today in the inertia of entrepreneurial behavior. The mere presence hypothesis [26] still points out that people exposed to a certain item will finally get used to it and it is possible even for the shareholders to get accustomed with the idea of CSR and cherish it more in the future.

## VI. CONCLUSION

To conclude, in spite of some very progressive declarations and attitudes of managers, Romania finds itself in its early stages of CSR implementation. Romanian managers agree to implement this concept in the economic and social environment, but the characteristics of the real entrepreneurial field in which they operate are major obstructions which prevent transforming them into reality. In this paper I have identified the psychosocial processes that explain why in today's Romania, CSR is mainly a proscriptive behavior, not yet internalized or preventive.

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