



Corporate Social Responsibility in Romania From a EU Perspective

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CSR PAPER 38.2008

DECEMBER 2008

CSR – Corporate Social Responsibility and Sustainable
Management

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Corporate Social Responsibility in Romania From a EU Perspective

Summary

Nowadays the society is confronted with a series of important transformations due to the shift towards sustainable development approach. Many European companies begin to implement social responsibility activities on a voluntary basis. In the last 20 years the debate regarding corporate social responsibility (CSR) has been widely spread in all developed countries from the world. This trend is also followed by developing countries, but the intensity of the debate is still low. This article presents the main developments of CSR in Romania- a post communist country, by pointing put the main achievements of the government, from the companies and from consumers.

Keywords: Corporate Social Responsibility, Stakeholders, Drivers, Romania

JEL classification: M14

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Corporate social responsibility in Romania from a EU perspective

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Abstract

Nowadays the society is confronted with a series of important transformations due to the shift towards sustainable development approach. Many European companies begin to implement social responsibility activities on a voluntary basis.

In the last 20 years the debate regarding corporate social responsibility (CSR) has been widely spread in all developed countries from the world. This trend is also followed by developing countries, but the intensity of the debate is still low. This article presents the main developments of CSR in Romania- a post communist country, by pointing put the main achievements of the government, from the companies and from consumers.

Keywords: corporate social responsibility, stakeholders, drivers, Romania

Introduction

In order to get its operation license, any company must have both a legal and a social approval. Also, a company is entitled to pay taxes, obey laws and regulations, treat employees properly, act responsible towards the environment and adhere to quality standards for its goods and services. Nevertheless, by fulfilling these demands and standards a company will be rewarded with consumer satisfaction and loyalty, reduced employee retention, strong relationships with the community.

The debate regarding CSR starts from the role that a company must have in society. Starting from the industrialization period on, human intervention in nature has been increasingly active; that generated rather two contradictory elements: welfare and economic development, on the one hand, and on the other a worsening health of the environment.

The management and marketing thinking have been influenced by the general systems theory. Under it, each entity is influenced and affects other entities from the environment in which they activate. Wolfe and Putler (2002) argue that stakeholder analysis facilitates the understanding of company's environment and develops our capacity to cope with its changes, taking into account its rapid transformation and increase unpredictability. A stakeholder of an organization is (by definition) any group or individual who can affect, or is affected by, the achievement of the organization's objectives (Freeman, 1984 p.46). Owners, investors, employees, customers, suppliers, mass media, trade unions, consumer associations, Ngo's,

local communities and the government at national and local levels are all stakeholders. It is said that if stakeholders put value on responsibility, corporations will do this as well, in order to meet their expectation. From this point a view, CSR can be broadly defined as an organization’s commitment to operate in an economically and environmentally sustainable manner while taking into account the demands of its stakeholders.

CSR is becoming one of the top priorities of international institutions. Organizations like World Bank, European Union, and OECD gave their own definition of CSR and issued documents and recommendations regarding CSR. World Bank defines CSR as “the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life, in ways that are both good for business and good for development” (World Bank, 2006)

Corporate social responsibility in European Union

European Union is one of the most important promoters of CSR. First attempt to discuss CSR at European level started in 1990, when the European Commission made its first call to fight against social exclusion. In 1993 the Commission published a white paper on growth and employment. The official position on CSR comes in 2001, when it was published The Green Paper - *Promoting a European framework for Corporate Social Responsibility* (COM, 2001). EU concern about CSR comes, also as a result of the strategic objective set out at the Lisbon European Council: to become " *the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion*" (http://www.europarl.europa.eu/summits/lis1_en.htm). In the Green Paper EU defines CSR as: “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (COM, 2001). Taking a short look on the EU definition, Eberhard-Harribe Laurence (2006) argues that there is a similarity with the theories from business ethics:

1. CSR is a result of the company's decision, a voluntary element.
2. CSR is justifiable economically, in the Green Paper (2001) which states: "where social responsibility is a process by which companies manage their relationships with a series of stakeholders, which can have a major influence on the company". Therefore, CSR must be seen as an investment but not as a cost, similar to that of quality management."
3. CSR goes beyond the limits of compliance laws. This approach may mean that the intent of setting regulation for social responsibility is not the best way to promote this concept.

In the Green Paper (2001) the EU talks about the two dimensions of CSR: the internal dimension and the external one.

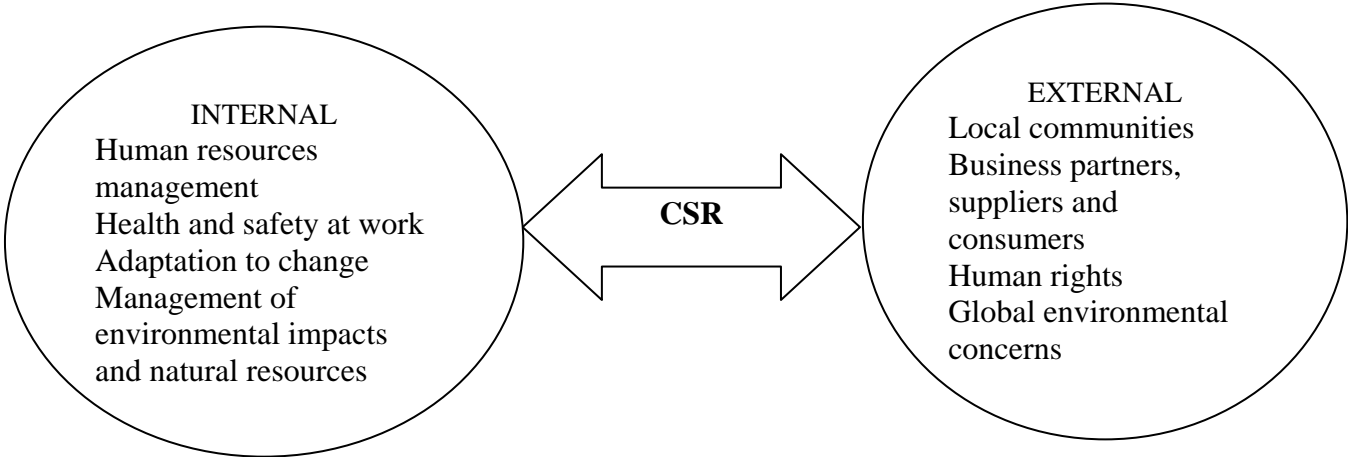


Figure 1 The dimensions of CSR. Source: Green Paper (COM, 2001)

In 2002 the Multi-Stakeholders Forum on CSR was created. In 2006 during the conference “Corporate Social Responsibility in Enlarged Europe” participants pointed out that a change in focus is needed regarding CSR. Research shows that in European countries by CSR are commonly understood corporate philanthropy (charity), or public relations/marketing (Elms, 2006), but CSR should be understood explicitly as a responsibility to stakeholders.

The Romania case

Since the fall of communist regime in 1989, Romania made its first steps towards capitalism, switching from a planned economy to a market economy. Since the beginning of this period, Romanian leaders focused on building international partnerships, such as membership to the European Union and NATO for economical, political and security reasons. Romanian companies were acting in a turbulent new business environment, having to meet the challenges of EU integration, globalization and liberalization of internal markets (World Bank report, 2005).



Figure 2 Romania on Europe map

In order to discuss the Romanian context addressing corporate social responsibility, we should point out the major stakeholders that contributed to the development of CSR. As the table from below reveals, after 2002 Romania was in a continuous development, managing to decrease its inflation and having a constant economic growth.

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--------------------------------|----------|----------|----------|----------|-----------|-----------|
| Inflation (% change) | 22.5 | 15.3 | 11.9 | 9.0 | 6.6 | 4.8 |
| GDP (% real growth) | 5.1 | 5.2 | 8.4 | 4.1 | 7.9 | 5.9 |
| GDP (US\$ millions) | 45,824.6 | 59,507.4 | 75,519.2 | 98,861.6 | 121,901.1 | 164,965.5 |
| Population, mid-year ('000) | 21,803.1 | 21,742.0 | 21,684.9 | 21,634.4 | 21,582.9 | 21,526.1 |
| Birth rate (per '000) | 9.7 | 9.8 | 10.0 | 10.2 | 10.3 | 10.3 |
| Death rate (per '000) | 12.4 | 12.3 | 11.9 | 12.1 | 12.3 | 12.4 |
| No. of households ('000) | 7,320.2 | 7,458.9 | 7,553.8 | 7,611.4 | 7,643.5 | 7,713.2 |
| Urban population ('000) | 11,958.5 | 11,929.9 | 11,897.6 | 11,880.3 | 11,860.1 | 11,833.0 |
| Urban population (%) | 54.8 | 54.8 | 54.8 | 54.9 | 54.9 | 54.9 |
| Male population (%) | 48.8 | 48.8 | 48.8 | 48.8 | 48.8 | 48.7 |
| Female population (%) | 51.2 | 51.2 | 51.2 | 51.2 | 51.2 | 51.3 |
| Life expectancy male (years) | 67.4 | 67.7 | 68.3 | 68.7 | 68.8 | 69.0 |
| Life expectancy female (years) | 74.7 | 75.0 | 75.5 | 75.7 | 75.7 | 75.9 |
| Adult literacy (%) | 98.3 | 98.4 | 98.5 | 98.5 | 98.6 | 98.7 |

Table 1 Statistical data of Romanian economy (source *Euromonitor International, GMID - Global Market Information Database*)

The government

The government has an important role in promoting CSR in a country. Romania entered in a process of harmonization of laws and regulations according to the European ones. Major developments were made regarding environmental protection and ecology: in 1990 was established The National Programme for Environment Protection and in 1995 was elaborated the Environmental Protection Frame- Law. Many other laws and regulation were issued to fight against corruption, bribery, working conditions, etc.

In order to stimulate social responsible behavior of companies and to promote company's involvement in the communities, the government issued the sponsorship law. According to this a company can make sponsorships up to the amount of 3 per thousand from their turnover but no more then 20% from their profit tax. This law entitles companies to use up to 20% of their profit tax on community investments. But if we look at the limitations imposed by the law, we can conclude that only large companies with big turnovers and profits are allowed to large amounts of money on sponsorships, and the SME's are not encouraged to involve communities through sponsorships, even though most of Romanian companies are small ones. Another important aspect of legislation is represented by the 2% law. This law stimulates taxpayers to donate 2% of their taxes to charities, churches, federations and other nonprofit organizations.

In 2007, within the Ministry of Labor, Family and Equal Opportunities was established the Corporate Social Responsibility Division under the supervision of a State Secretary. The main responsibility of the CSR division is to develop policies in the field of CSR in cooperation with the government, Ngo's, civil society and to promote CSR concept at local level and towards companies.

The companies

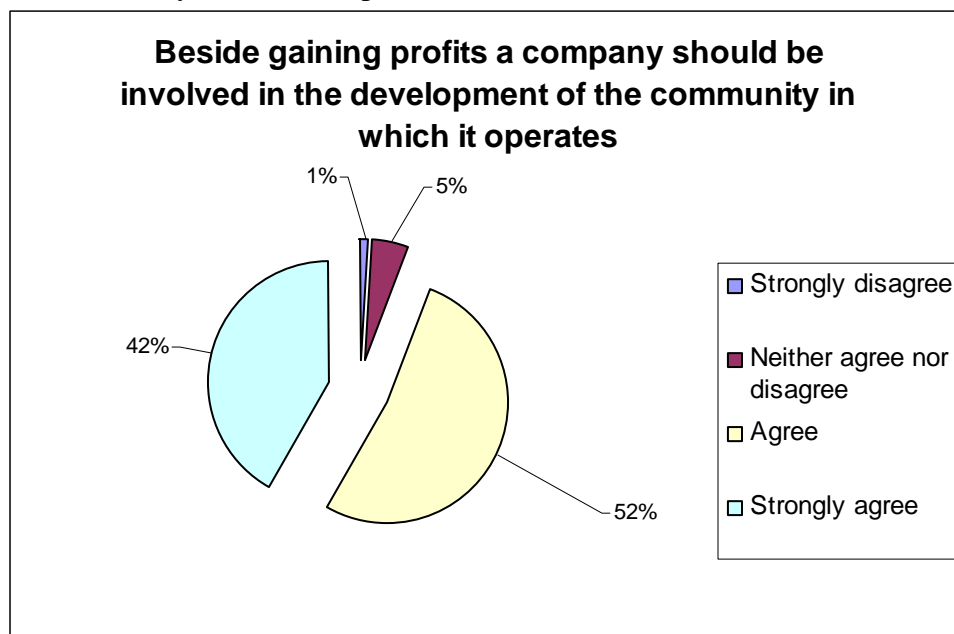
CSR is starting to develop in Romanian business society. Multinational companies are the ones that lead in CSR involvement, because they transferred their corporate culture at local level. Big companies like Orange, Vodafone, Holcim are starting to implement CSR programmes. A good example for the Romanian market is Petrom's case. Petrom is one of the biggest oil company, part of the OMV group. From 2008 the company included CSR as part of its strategy and developed a communication campaign on social responsibility under the slogan "respect for the future". This was the first CSR campaign on TV and had two major effects: increased the company's social responsible image and also promoted the CSR concept towards citizens.

In 2006, I designed an exploratory research on Romanian companies in order to determine the level of inclusion of CSR into business practice. The sample consisted of 205 companies.

| No of employees | Percentage | Turnover | Percentage |
|-----------------|------------|-----------------------|------------|
| below 9 | 20,59% | sub 50 000 EUR | 16,83% |
| 10-49 | 24,51% | 50001-500000 | 26,24% |
| 50-249 | 21,08% | 500001-5 mil | 18,81% |
| 250-999 | 20,10% | 5 mil EUR- 10 mil EUR | 7,92% |
| Above 1000 | 13,73% | Above 10 mil EUR | 30,20% |
| Total | | Total | 100,00% |

Table 2 Sample description

94% of the company's representatives have expressed agreement with the following statement: "Beside gaining profits a company should be involved in the development of the community in which it operates."



Another point of the research was to determine the reasons for developing CSR programs. If we make a short analysis regarding the level in which CSR is integrated into businesses we could state that most of the companies use CSR at tactical level not

at strategic level. This fact proves that Romanian companies prefer to involve in short term projects (30 to 60 days).

The main reason why companies are involved is increasing social pressure from the stakeholders. Consumers are starting to be increasingly trained and informed; lots of other organizations (Ngo's, media, etc) are starting to put pressure on companies to reduce their intervention on the environment and to increase responsibility toward society. All these elements play an important role in stimulating a social responsible corporate behavior.

Moreover, it was mentioned that CSR activities bring a positive contribution to the company's reputation.

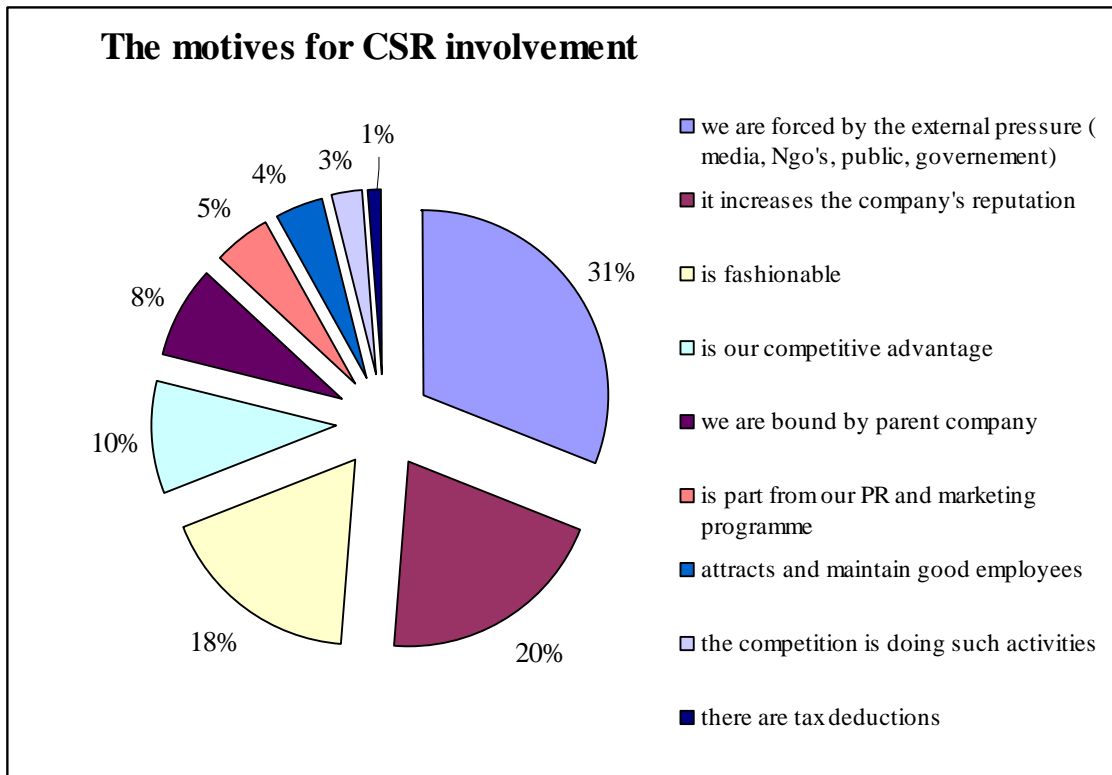


Figure 3 The motives for CSR involvement

Regarding the department / person responsible for managing CSR activities in most cases the general manager is also in charge with CSR activities. Department of marketing and PR are also the ones that develop CSR projects. In 28% of the Romanian companies the CSR activity is not present in the job description of any employee. Only 2% of the companies have a CSR department.

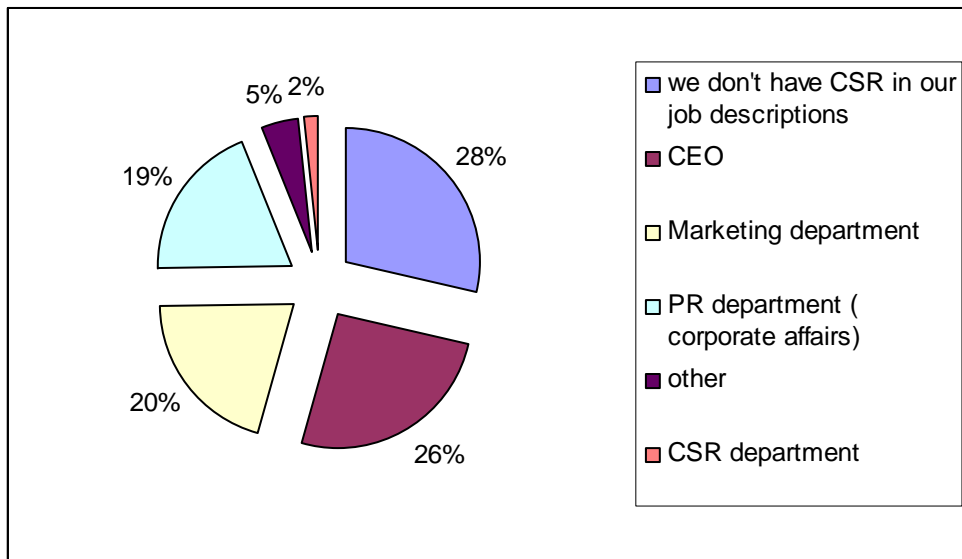


Figure 4 Department in charge of CSR

This study also reveals that representatives of the companies disagree with the statement that “the consumers are buying company’s products because of its CSR involvement” (score -0,15 on Likert scale). But companies think that in the future consumers will appreciate their social responsibility (score 1,12 on Likert scale) and from this point of view the investment in CSR is not useless for the company. Another conclusion of the study is that Romanian companies focus more on the internal dimension of the CSR, most of the companies considering that their CSR actions are directed towards their employees. Other companies increase their collaboration with universities and high-schools in order to select their future employees. Also, social issues (helping institutionalized children, orphans, and elderly people), environmental issues and cooperation with NGO’s are priorities in CSR agendas.

Consumers

Studying the consumer’s perception on CSR is another important step in our analysis. Consumers can influence in a major way the development of a company. In order to determine the Romanian consumer’s perception on CSR we conducted a quantitative research on a sample consisting of 915 consumers. The structure of the sample was formed by 41% males and 59 % females, the according to monthly income the sample had the following structure: 14,36% under 150 Euro, 43,20% -150-450 Euro, 25,44% -450-750 EUR, 10,75% -750-1350EUR, 3,51% 1350-1650 EUR and 1,21% of the sample above 1650 EUR. One aspect of the survey was to determine the organizations that consumers think they work on behalf of the community. At this question consumer ranked on the first place mass media, and afterwards religious groups and Ngo’s. On the last 3 places consumers mentioned Sme’s, the Parliament and Labor Unions.

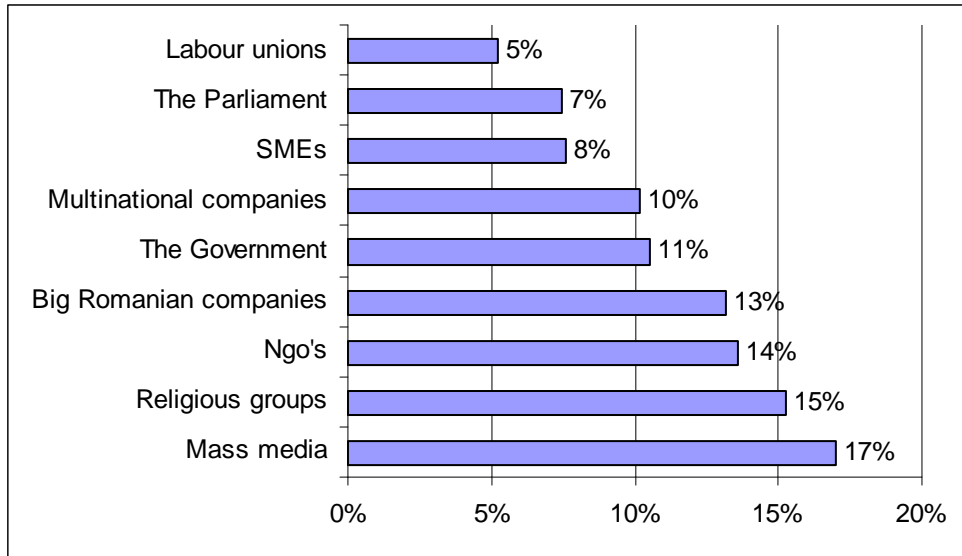


Figure 5 The institutions that work on behalf of the society

Another important element that resulted from the survey is that Romanian consumer's don't perceive companies as being socially responsible. On an Osgood scale from 1 (very irresponsible) to 5 (very responsible) companies were evaluated with 2,5. Therefore, 13,66% from consumers declared that companies are very irresponsible, 37,38% said irresponsible, and only 1,09% pointed them as being very responsible.

One of the most desired information for a company regards the consumers buying behavior. In our survey consumers were asked how important CSR is in buying decision. On a 5 stage Osgood scale (5 very important, 1 unimportant) the score obtained was 3.07, which means that consumers tend to be indifferent to CSR when buying a product.

Conclusions

Corporate social responsibility in Romania is still in his infancy. Multinational companies are the ones that set the trend in this field, because of their corporate culture. But, even so, few companies publish CSR reports or include in their annual report their CSR activity. Companies use CSR as a tactical instrument, and this is the reason that most of CSR projects in Romania are on short term. Mass media and Ngo's are not very active in promoting the CSR concept. At the governmental level the CSR strategy is mostly imported from the EU.

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