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## **ENVIRONMENTAL PROTECTION BETWEEN SOCIAL RESPONSIBILITY, GREEN INVESTMENTS AND CULTURAL VALUES**

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### **Abstract**

*In a well functional and competitive economy all the entrepreneurs are aware of the importance of protecting the environment, development of local communities and the good relations with stakeholders. The necessity imposed by a sustainable development has many influences on the company's activities because in order to equilibrate their profit's motivation with their social and environment implications. This article is focused on the way of different investors integrated in their strategies the environment preoccupations. The actions of companies are shaped by different stakeholders like consumers, public authorities, shareholders, international organizations and other entities.*

### **Key words**

Environment, cultural values, stakeholders, consumers, corporate social responsibility, green investment.

### **Introduction**

The primary concern of companies is profit. In time, however, entrepreneurs have become aware or have been forced to become aware of their role in society and their concerns` area have extended, they are interested in improvement of their impact on the environment and on society in general. The interest of entrepreneurs to the local community has a long history. In the nineteenth century, some industrialists have launched social measures for the employees and families. One century later, the interest for corporate social responsibility has grown due to the negative reactions of society in general to the activity of major corporations.

The limitation of natural resources and awareness of this fact have led to the expansion of the company's concern for protecting the environment and promoting sustainable development principles. More and more entrepreneurs have realized that the success of corporations and social welfare are interdependent. Thus, on one hand, companies need an educated workforce, natural resources and appropriate institutional and legal framework, and on the other hand, they provide payment of wages, taxes, create jobs and generate investment.

Social responsibility is shaped by many stakeholders such as shareholders, customers, suppliers, employees, public authorities and international institutions. The involvement of public authorities and international institutions has major implications on the business companies (Matei, 2013).

The corporate orientation towards environmental issues, social and governance (ESG) was determined not only by the pressure of consumers and society in general but also by the activity of European and international bodies. Moreover, the involvement of these institutions also led to the nuances of the concept of social responsibility and expansion of this concept into areas such as promoting moral values in decision-making corporations, fighting against corruption, promoting human rights.

The European authorities have started since 1995 a broad awareness of the corporations` role in society. In 1995, it was launched a "Manifesto of Enterprises against Social Exclusion", one result being the creation of CSR Europe - a network that supports dialogue between companies and the exchange of best practices in social responsibility field. Furthermore, in 2000, at the Lisbon summit, the CSR issue was approached and it was included on the agenda, given the importance of the company's efforts to achieve the strategic goal of the EU, to become the most dynamic and competitive economy in the world, based on knowledge and able to have a sustainable development.

In addition, the EU Sustainable Development Strategy highlights the importance of corporate involvement in protecting the environment, which is a component of the CSR with both governance and social aspects. The Green Paper of CSR "Promoting a European framework for corporate social responsibility" developed in 2001, believes that "to be a socially responsible enterprise must satisfy both legal requirements and compliance and investing in human capital, the environment and relations with parties".

Aware of its role in the world economy in promoting sustainable development, the United Nations has launched in 2000 a partnership with companies worldwide to achieve its objectives in this area. Thus appeared the Global Compact (a large network build by a large number of entities which concern with social responsibility as companies, trade unions, universities, associations, NGOs, government institutions, cities) and Global Compact principles were developed for companies (which targets four areas: human rights, labor standards, the environment and fight against corruption). As a general framework the social responsibility is not always a prerogative for the contemporary enterprises, over time, have been developed Global Compact Principles for universities, cities and even portfolio investors.

The cities are complex entities faced with many problems, and the results of local government activity affect many stakeholders. For this reason, GC principles were adapted for companies and cities that should promote human rights, labor standards, environmental protection and fight against. In this way, cities have a direct contribution to sustainable development and indirectly by encouraging entities that operate in their range.

Given the role of universities in the training of specialists and disseminating concepts of corporate citizenship, social responsibility, business ethics, green marketing or societal marketing, academia has been involved in promoting social responsibility through education and research processes undertaken. The Global Compact promoted since 2007, The Principles for Responsible Management Education -PRME, which creates the framework for promoting social responsibility by incorporating into the curriculum and research of the universal values of SR.

The social behavior of publicly traded companies is determined; in some extend, by the actions of shareholders. The portfolio investors use specific criteria for positive or negative selection of traded securities. For example, negative screening involves removing securities issued by companies from certain sectors (weapons, tobacco or gambling) or in certain countries with totalitarian regimes. In case of positive screening, the investors select securities issued by companies in the field of renewable energy. Moreover, after becoming shareholders, portfolio investors establish dialogues with the issuing company to improve the performance of long-term social responsibility of their respective companies. The investments in the community and those in social enterprises have gained in recent years. The investors allocate funds for the development of local communities who are experiencing difficulties in attracting capital and developing social enterprises. Therefore, portfolio investors are considering new criteria for selecting target companies, criteria which take into account social, environmental and governance aspects. In the selection of securities, portfolio investors are guided by principles of Responsible Social Investment.

The transnational corporations are the main promoters of social responsibility at international level, being a model for small and medium enterprises that have contractual relationships. Given the strength of involvement in the world economy, the OECD has developed Guidelines for Multinational Enterprises which were established practices and standards, voluntary, which can be used by large corporations considering their increasing impact on sustainable development.

The International Organization for Standardization comes to help companies that want to prove compliance with standards not only for quality management (ISO 9000), but also for environmental management (ISO 14000), social accountability (ISO 8000) and even social responsibility (ISO 26000). ISO certification can be regarded as a market mechanism or a tool to enhance corporate image and reputation that can brings companies some competitive advantages. Implementation of management standards is determined by the pressure exerted by competitors, and the objective need to enter into various partnerships and contracts with corporations. (Petrescu and Bucuroiu, 2008). Unlike the other standards, ISO 26000 audit and accreditation will not, but a good practice guide which organizations (public or private) that have social responsibility programs can join voluntarily. This standard is distinguished by the fact that SR guidelines are compatible and complementary with the main statements, principles and conventions of the UN, ILO and OECD.

The activity of private companies but also of the public authorities is modeled by Principles of social responsibility. Green Public Procurement policy developed by the European authorities has an impact not only on public authorities, but also on private companies as a result of consequences. Every year, the European authorities record expenses represent 16% of European GDP, which is why it is considered that public procurement can shape in a significant manner, production and consumption. Moreover, the demand for green products by the government may lead to expansion of green technology and market development of organic goods. Through Green Public Procurement policy, European authorities thus aligns efforts and concerns

recorded worldwide such as the OECD Recommendation on green public procurement, establishment of Marrakech Task Force on Sustainable procurement created by Summit Johannesburg Summit for Sustainable Development (2002), adopting sustainable procurement policies by developed countries (USA, Canada, Australia, Japan, South Korea) and developing countries (China, Thailand, Philippines).

## 1. Social responsibility and green investments

The environmental protection concerns of companies have intensified in recent decades and more than exceeded the scope of social responsibility. More and more companies have turned to include the environment protection in their investment strategy (Panaitescu and Popescu 2008). Thus, besides the concept of socially responsible investments that integrate social, environmental and governance aspects, the notion of green investment has emerged. Green or environmentally responsible investment takes only environmental issues into account. (Boulatoff and Boyer, 2009) believe that "green investing is the act of investing in companies that have a positive environmental impact". The main change are climate green investment themes, fight against pollution, water management and wastewater management, improvement of production processes of polluting industries.

**Table 1:** The Common ESG themes

ESG themes	Examples:
E (Environmental)	climate change, hazardous waste, nuclear energy, sustainability
S (social)	diversity, human rights, consumer protection, animal welfare
G - Governance	management structure, employee relations, executive pay

Source: authors based on *Green Investing by Institutional Investors: A European Survey*, p.13

Motivations of investors who choose to make investments are multiple green, but can be divided into four groups: ethical considerations, the need to observe certain legal regulations, improving reputation due to the pressure of business partners and consumers, portfolio diversification to reduce risk and ensure a minimum return. So, the strategies` investors are based on extra-financial considerations like environment aspects.

The world of green investment is in a development stage and the investors have many ways to place their financial funds. According with Mercer (2009), there are three types of approaches to green investment: the thematic approach, screening, and engagement. The thematic approach is based on some sectors like clean energy, clean technology, water and wastewater management. The screening supposes that some companies are selected or excluded taking in account environment criteria. In the case of engagement, the investors have long-term relationship with the companies, based on a dialogue on environmental and sustainability aspects, in order to change the companies behavior in favor of the environment. The performance or the impact of green investment may be evaluated with specific indicators (table no 2).

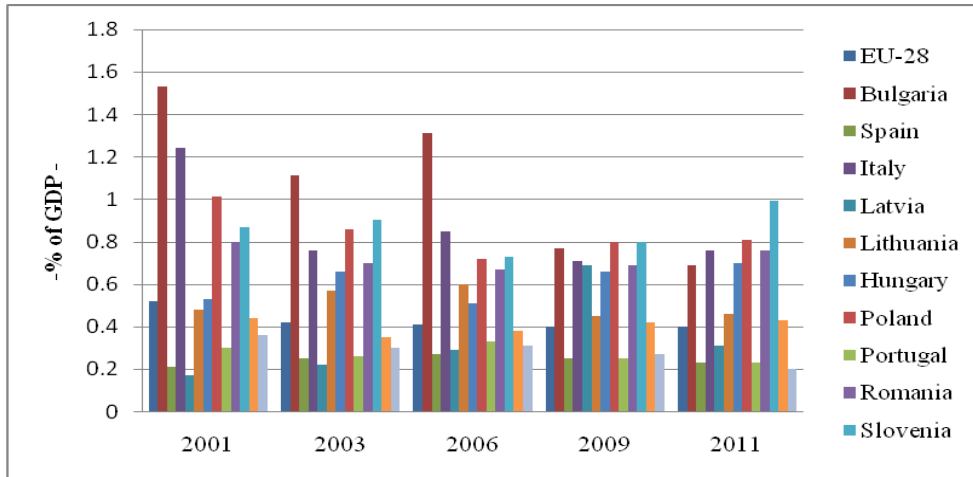
**Table 2:** Indicators of environmental performance or environmental impact

KPI	examples
General KPIs	E1 Energy Efficiency
Sector-specific KPIs	E2 Deployment of Renewable Energy Sources
	E3 CO2 Emissions
	E4 NO, SO Emissions
	E5 Waste
	E6 Environmental Compatibility
	E7 End-of-Lifecycle Impact

Source: authors based on *Green Investing by Institutional Investors: A European Survey*, p. 15

The investors have many vehicles available on market in order to develop their green strategies. The main instruments are equities (mutual funds, exchange-traded funds, and indices), fixed income securities like green or project bonds, alternative instruments like real estate or infrastructure investment.

From this perspective, an important element is represented by the environmental protection expenditure by industry, which in this case has a massive importance in promoting environmental responsibility. Taking into account the country cultural model, it could be remarked that neither the countries presented in fig.1 spent important amounts of money in this direction.



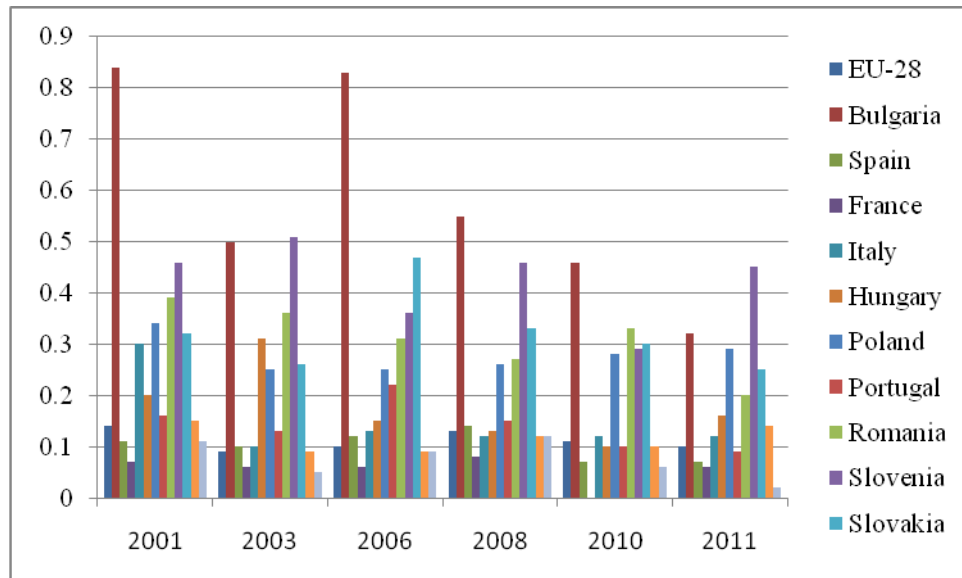
Source: authors own based on EUROSTAT (2014)

**Fig.1.** Evolution of environmental protection expenditure by industry, in some EU-28, 2001-2011

As can be noticed from the figure above, the EU-28 average during the 2001-2011 is relatively constant around the level 0.4%, which reflects a weak interest in improving the environment conditions. At the European level it can be noticed two groups of countries. On the first hand, in 2011, countries which values below the EU-28 average as UK (0.2%), Spain (0.23%) or Portugal (0.23%) and on the other hand countries with a high level of expenditures as: Slovenia (0.99%), Poland (0.81%), Romania and Italy (0.76%).

The environmental investments made by industry usually completes the expenditures made in the same field in order to improve the environmental conditions and living standards, both coming in respect of environmental financing procedures.

In EU-28, the share of environmental investment by industry in GDP, during the analyzed period, is a little above zero, respectively 0.14% in 2001 and 0.10% in 2011 (EUROSTAT, 2014). In fig. 2 is presented the evolution of the environmental investment by industry during 2001-2011 in some EU-28 countries.



Source: authors own based on EUROSTAT (2014)

**Fig.2.** Evolution of environmental investment by industry, in some EU-28, 2001-2011

Taking into account the data in fig. 2, in case of all mentioned countries it is noticed a massive downfall during the all period. In case of Romania, if in 2001 the environmental investment had a share of 0.39% of GDP; ten years later the share was just 0.2% in GDP. This evolution denotes a lack of interesting in making the environmental investment by industry and improving the production conditions and using green technologies

more environmentally friendly. For completing the analysis in table 3 is presented the evolution of environmental taxes as % of GDP in some EU-28 countries, during 2000-2012.

**Table 3. Evolution of environmental taxes as % of GDP in some EU-28 countries, 2000-2012**

Country	2000	2002	2004	2006	2008	2010	2012
Bulgaria	2.7	2.3	3.2	2.9	3.4	2.9	2.8
Germany	2.4	2.5	2.6	2.4	2.2	2.2	2.2
Spain	2.2	2.1	2.0	1.9	1.7	1.7	1.6
France	2.2	2.1	2.0	1.9	1.8	1.8	1.8
Italy	3.2	2.9	2.8	2.8	2.5	2.6	3.0
Hungary	3.0	2.8	2.9	2.8	2.7	2.7	2.5
Poland	2.1	2.4	2.6	2.7	2.6	2.6	2.5
Portugal	2.6	3.0	3.0	2.9	2.6	2.5	2.2
Romania	3.4	2.1	2.4	1.9	1.8	2.0	1.9
Slovenia	2.9	3.3	3.3	3.0	3.0	3.6	3.8
Slovakia	2.2	2.2	2.5	2.3	2.0	1.9	1.8
Finland	3.1	3.1	3.2	3.0	2.7	2.8	3.1
Sweden	2.8	2.9	2.8	2.7	2.7	2.7	2.5
UK	3.0	2.7	2.6	2.4	2.4	2.6	2.6

Source: authors based on European Commission (2014)

The share of environmental taxes as % of GDP during the analyzed period reflects mainly the effects of the state politics in protecting environmental protection. In case of the EU older states the share is highly and mainly constant during the period. In case of the new member states as Romania and Slovakia and also in case of France and Spain the share is above 2 percentages on GDP.

## 2. Responsible consumer's attitude and cultural values towards CSR Activities of the organization

In the last decades, society's increased interest regarding environmental issues shifted the spotlight towards the environmental aspects of CSR, pressing organizations to initiate specific actions for the support of the environment. As (Bashar, 2014) mentions the European Commission's CSR-report from 2002, in which CSR is described to establish a clear connection between companies and societies by addressing both social and environmental concerns: "CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". (Bashar, 2014)

CSR initiatives undertaken by companies cover several domains, including the environment (e.g., environment friendly products, hazardous waste management, use of ozone-depleting chemicals, animal testing, pollution control, and recycling) (Sen and Bhattacharya, 2001).

Being built upon economic, environmental and social principles, CSR has nowadays major implications for marketing activities such as advertising and branding (Sen and Bhattacharya, 2001), but little research has been conducted thus far on consumer behavior aspects of CSR and on its effects on consumer decision making.

Current, more and more consumers become increasingly interested in the social and environmental dimensions in their consumption, which resulted in encouraging businesses to engage in CSR practices. Different expressions such as: "green" consumers, environmental consumers, ethical consumers, responsible consumers and so on are used to describe a higher level of expectation towards the companies.

Environmental concerns began to prevail during the second half of the 1980s, which led to a growing importance given to environmental effects of the economy, associated with consumption and the outlining of the concept of "green consumer". Their number increased during the 1990s (Pedrini and Ferri, 2013), boosting scientific investigation of this segment of the market.

Different studies underlined the phenomenon called "ethical consumerism"- which gained importance in business management, linked to the social and environmental attitude of consumers. "Ethical consumerism" reflect consumers expectations from businesses to not only provide quality products at low costs, but also to comply with their individual values and to actively and sustainably participate to the development of the community.

Thus, such studies demonstrated that “when consumers receive more information about social and environmental responsibility, they pay more attention to the selection of goods/services in their purchasing processes”. (Pedrini and Ferri, 2013).

Over time, the ethical consumer (interested mainly about social issues) moved towards a responsible consumer (integrating simultaneously both social and environmental concerns).

This new kind of person is arousing an increasing interest for the social and economic research, being characterized as ‘sophisticated’ and ‘environmentally and socially conscious’ (Bashar, 2014).

Recent changes in consumers attitudes drives them to evaluate information about product and organizations in the light of their personal beliefs based on matters such as labor standards, human rights, health-related issues, and, of course, environmental issues among the criteria that govern the process of their purchasing decisions (Bashar, 2014).

Studies show that CSR involvement of the company could be the decisive factor when consumers have to buy similar products with similar price and quality (Smith, Read, and Lopez-Rodriguez, 2010). In this situation, consumers would prefer to buy from the firm that has a socially responsible reputation. Thus, it can be concluded that ethical/responsible customers play a relevant role in encouraging CSR practices, allowing firms to improve their reputation and market position.

Likewise et al., 2001 support the idea that consumers will support companies that go beyond delivering economic outcomes and contribute to society’s welfare and sustainability by being socially responsible. For instance, a survey conducted in 2010 by the Institute of Communications in Greece (Papadopoulos et al., 2011), showed that 52.6% of Greek consumers have rewarded a socially responsible company (by buying a product or through positive comments made about it), while 66.7% of Greek consumers have “punished” companies not involved in CSR.

Other research show that these attitudes differ significantly from one consumer to another (Pedrini and Ferri, 2013), depending upon many variables, namely demographical characteristics:

- *Age*: even if some of these consumers could display a responsible attitude, generally young consumers show minimal interest for the social and environmental implications of their market behavior. Such an interest seem to be related to maturity, thus reflecting self-awareness level or generational changes;
- *Income*: responsible consumers are mostly those having high purchasing power, given the perception that “responsible” products have a higher price than common ones. That is why low-income consumers feel a financial disadvantage which generates skepticism and poor involvement. In developing countries, where the population struggle to make a daily living, CSR is not yet a determining factor in buying a product from a company willing to support CSR (Smith, Read, and Lopez-Rodriguez, 2010).
- *Educational level*: graduates show a greater awareness of environmental aspects than consumers with lower education level. Thus, education has a particular role in reaching maturity and providing skills that develop the ability to assess the overall implications of purchases for the environment.
- *Geographical area*: consumers living in more industrialized areas are more aware of the environmental impact of a business, especially if they usually face environmental issues (pollution) in everyday life.

Besides, consumers may also be circumspect about CSR initiatives and their genuine basis. For instance, a Danish study (Papadopoulos et al., 2011) found that marketing communication based on CSR to be distasteful to some consumers as it serves mainly corporate interests and is not completely altruistic. It appears that consumers may assume that a company is self-interested – which induces negative feelings – if the company puts exaggerated emphasis on own CSR policies.

Nevertheless, CSR preoccupation of a business appears to be highly correlated with customer loyalty - which represents a critical orientation for the organization (Papadopoulos et al., 2011), contributing to maintain existing customers and keeping them to turn to other market alternatives.

An interesting approach brings to attention the halo effect related to companies socially responsible behavior, meaning that “consumer awareness of one set of CSR actions (e.g., recycling) will influence their perceptions of CSR performance in other areas (e.g., eco-friendly production) about which they have little or no information” (Smith, Read, and Lopez-Rodriguez, 2010). Research in this area suggests that consumers may make extrapolations about CSR performance based on very limited information, allowing the company to manipulate consumer perceptions of CSR performance.

Also, it should be taken into consideration that, even if many studies show that consumers’ purchase decisions are positively influenced by socially responsible initiatives, this fact will result in little practical consequences if the level of awareness of such initiatives among consumers is very low (Dolnicar and Pomeroy, 2007).

## Conclusions

The protection of environment is a necessity and companies are preoccupied by this topic in different extend. Many companies run various corporate social responsibility programs and promote the environment protection. Other companies and investors are interested in green investment and they shape their investment strategies in order to take in account the aspects of environment.

The specific impact CSR initiatives have on consumers has been relatively little studied so far and more research is needed to deepen the understanding of the CSR initiatives on consumers purchasing behavior. These directions could contribute to clarify the connection between consumers and organizations regarding their environmental efforts in terms of effective purchasing, in terms of choice, price and quality.

Further studies are needed in order to measure consumer's perceptions of socially responsible companies and to highlight the influence of the implementation of CSR policies on consumer's perception and consumers intentions within their behavior. Managers in charge with CSR always should take into account the evolution of the demographical characteristics or the age structure for the target customers in order to ensure that CSR is an instrument for the success and a competitive advantage.

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