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Quantifying Corporate Social Responsibility Involvement in Art and Culture Projects in Romania and Bulgaria

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Abstract

The recent crisis has deeply changed the present business environment and new priorities are now emerging for companies in order to meet the economic and social criteria that the society is imposing on them. On a pragmatic approach of business ethics, companies are developing their contribution to social causes by considering a large area of corporate social responsibility CSR projects, aimed at inducing bidirectional benefits, expressed at corporate and societal level. Taking this general context into account, the aim of our present research paper is to investigate and measure the corporate participation in supporting art and culture initiatives in Romania and Bulgaria, in a comparative and empirical approach intended to shed a new light on the development of specific CSR in the two above mentioned countries. In this respect, we analyze the top companies by revenues in Romania and Bulgaria and we construct an innovative index AC-CSR Index for quantifying their implication in art and culture projects in the last years, as a part of their recognized accountability towards society as a whole. The AC-CSR Index, derived as a composite measure of arts and culture actions, aims at encompassing the performance of top companies regarding a broad-spectrum of corporate culture responsibility engagements. The main results emphasize an increasing thoughtfulness of companies in Romania and Bulgaria to this class of CSR projects, especially considering the leader position of the analyzed companies. More detailed results and comments about the AC-CSR Index are also presented.

Note: The two authors contributed equally to this work.

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1. Introduction

The deep financial and cultural alterations that influenced the economic and social environment in the European Union and worldwide in the last years changed as well the role of businesses in the society, putting more pressure on the companies for undertaking practices that take also into account social, environmental, ethical and corporate governance criteria. Thus, the need for business ethics emphasized by the globalization process in the recent decades was lately replaced, especially by the economic turmoil, with a more pragmatic concept – “corporate social responsibility” CSR.

One of the most acknowledged definitions of CSR is provided by the European Commission in 2004: “a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis”, recently replaced, in 2011, with a broader one in sense and scope: “the responsibility of enterprises for their impacts on society”. Companies may affirm their CSR involvement in different areas, such as education, art & culture, environment, social issue, human rights or sports projects, according to their object of activity or particular business interests. The purpose of the present research is to specifically focus on art & culture A&C initiatives of CSR – the least approached dimension of CSR in theoretical and practical terms – and to empirically analyze the expansion of this issue in the newest member countries of the EU. Oxford Dictionaries 2012 define culture as “the arts and other manifestations of human intellectual achievement regarded collectively”, which best suits with the research interests of this study, considering art just one part of culture. The corporate initiatives for supporting the A&C projects will be dealt together, in order to build a stronger identity of “corporate cultural responsibility” CCR, a concept defined by Kohl, in 2007, as “the cultural commitment of firms, such as the buildup of art collections, cultural provisions for employees, sponsoring of art and culture as well as patronage”.

The corporate concern of A&C projects for the benefit of different stakeholders was seldom approached in the specialized literature. However, there are a few researches in the field, for example: Kohl, 2007, presents in detail the results of a survey performed on nine Austrian companies in order to identify their patterns and instruments of cultural commitment in the context of insufficient public funds dedicated to support of culture and the roles that these companies should assume for overcoming the corresponding problems; Bulut and Bulut Yumrukaya, 2009, broadly emphasize the development of art and culture in Turkey, examine all stakeholders implied in the process, companies, artists, institutes of arts and art communities, and analyze the relationship between government and these stakeholders, concluding on the problem of deficient funding.

Following the basic methodological principles of Iamandi and Constantin, 2012, in a related CSR field, the present research is mainly focused on the development of an innovative composite index, AC-CSR Index, for measuring the involvement of companies in Romania and Bulgaria in the area of art and culture CSR initiatives. The main novelty of this research is specifically given by the AC-CSR Index, its components and the selection of two countries for which a similar analysis was not conducted so far.

2. Data and methodology

The research was developed to quantify the CSR involvement in art and culture, AC-CSR, activities of top companies in Bulgaria and Romania. There were chosen the ten top leading non-financial companies in the two countries from the SeeNews SEE Top 100 Edition 2011, which ranks the companies in South East Europe according to their 2010 total revenue. Following Iamandi and Constantin, 2012, there were identified seven fundamental components pillars – $P_{i, i=1,7}$, reflecting the engagement in AC-CSR activities: *P1 – Supporting the organization & development of AC events*, *P2 – Supporting the cultural reconstruction of the local environment*, *P3 – Supporting young talents in AC fields*, *P4 – Supporting talented & disadvantaged people in AC fields*, *P5 – Supporting the development of AC inside the company or for employees*, *P6 – Cooperating with local authorities or NGOs in AC fields* and *P7 – Promoting the development of AC within the local*

communities. The grading system was as follows: 0 – no involvement, 1 – poor involvement, 2 – moderate involvement, 3 – strong involvement and 4 – very strong involvement. In order to reflect the continuous commitment to AC-CSR activities and their communication to the general public, each grade was weighted by a score, respectively: 1 – for 2010-2011, 0.8 – for 2009-2010, 0.6 – for 2008-2009, 0.4 – for 2007-2008, and 0.2 – for 2007 or earlier reported activities. The information used was public data, freely available on the websites of the analyzed companies, on the CSR/Sustainability reports of the companies or on the CSR/Sustainability sections of the annual financial reports of the same companies. The four composite indices presented in the paper were computed by averaging the values of all the seven pillars for each company, for the **AC-CSR-WV Global Composite Index**, or by averaging distinct groups of the seven pillars: *P1* and *P5*, for the **CSR organization of AC events Composite Index**, *P3* and *P4*, for the **CSR sponsorship of AC providers Composite Index** and, finally, *P2*, *P6* and *P7*, for the **CSR endorsement of AC projects Composite Index**. By considering three general approaches *the total revenues* – in order to reflect the rank of the company within the chosen sample: lower, middle, upper and top ranked companies, *the country*, and *the industry* grouping criteria, a three folded comparative analysis was developed between the two countries for: the AC-CSR Global Composite Index, the three individual AC-CSR Composite Indices and the seven pillars.

3. Results and discussion of findings

As previously stated, the involvement of the twenty Bulgarian and Romanian selected companies in arts and culture CSR practices was quantified and investigated by conducting an analysis while considering three grouping criteria for the respective organizations: total revenue, country and industry, both at the level of the seven pillars that are included in the developed indices and at the level of the four AC-CSR-WV indices.

1.1. The AC-CSR involvement – the total revenue approach

Table 1. AC-CSR-WV Average Index based on the rank of the company

Type of company	AC-CSR-WV Average Global Composite Index	Type of company	AC-CSR-WV Average Global Composite Index
Lower ranked	0.28	Upper ranked	0.25
Middle ranked	0.14	Top ranked	0.52

Table 1 presents the average values of the global composite AC-CSR-WV index for the companies grouped accordingly to their revenues from sales and, consequently, to their rank. As expected, the companies having very high total revenues are on average more involved in arts & culture CSR projects than companies with lower total revenues. Surprisingly, the sample companies with the lowest revenues from sales seem to be on average more active when considering the AC-CSR practices than the middle and upper ranked companies. The pillar-based analysis of AC-CSR involvement realized according to the total revenue is displayed in Fig. 1(a) and reveals, as expected, that the top ranked companies participate on average more in AC-CSR projects when compared to the other companies, **for all seven index components**. The comparison among the other types of companies reveals that the lower ranked companies show more inclinations towards activities like supporting the organization and development of AC events, cooperating with local authorities or NGOs in AC fields, promoting the development of AC within the local communities and supporting talented and disadvantaged people in AC fields. The upper ranked companies seem to be more involved in art and culture projects that reflect the support for the cultural reconstruction of the local environment, the support offered to young talents in AC fields and the support for the development of AC inside the company or for employees. Again, the

middle ranked companies do not lead in any actions reflecting the seven pillars. When considering the average values with respect to the total revenues of *the three individual composite AC-CSR-WV indices*, as it could be noticed in Fig. 1(b), the top ranked companies are incontestable leaders in the involvement in the organization of AC events, the endorsement of AC projects and the sponsorship of AC providers. A comparison between the other groups of companies reflects that the lower ranked companies are prone to invest in the organization of AC-CSR events and to endorse AC-CSR projects, while the upper ranked companies seem to prefer the CSR sponsorship of AC providers.

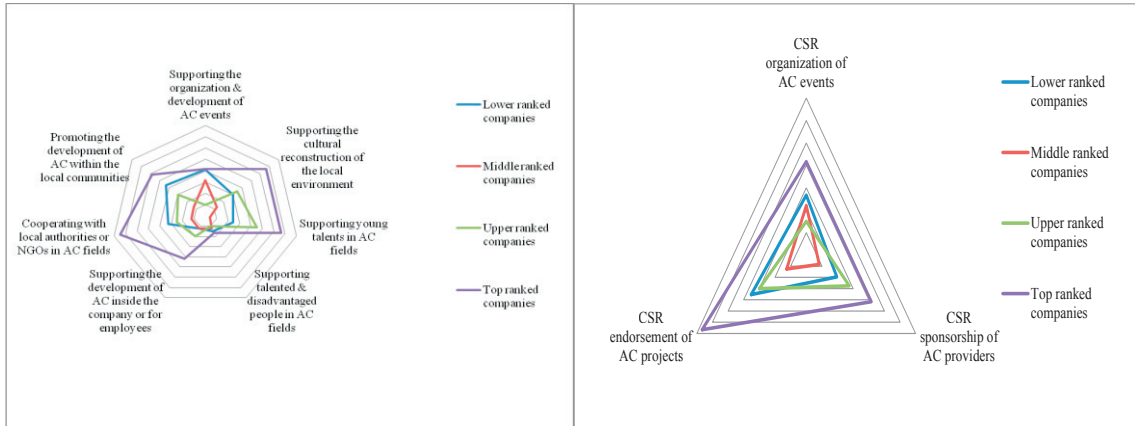


Fig. 1. The total revenue approach: (a) AC-CSR-WV Pillars average values; (b) AC-CSR-WV Average Individual Composite Indices

1.2. The AC-CSR involvement – the country approach

Table 2. AC-CSR-WV Average Index based on the country

Country	AC-CSR-WV Average Global Composite Index	Country	AC-CSR-WV Average Global Composite Index
Romania	0.22	Bulgaria	0.32

At country level, in Table 2, a comparative analysis between companies in Bulgaria and Romania reveals that the former ones are more involved in AC-CSR activities than the latter ones. For both countries the global composite index has a value smaller than an average of 0.5.

The characteristic of the global composite index is supported by the behavior of all seven pillars at country level, see Fig. 2(a). When comparing between pillars, one can identify promoting the development of AC within the local communities as top AC-CSR practice priority for the Bulgarian companies, while the Romanian ones are more interested in supporting the cultural reconstruction of the local environment, followed closely by supporting the organization and development of AC events. There are two AC-CSR pillars that exhibit similar performance, having similar values for both countries: supporting the organization and development of AC events and supporting the cultural reconstruction of the local environment. The three individual AC-CSR composite indices have on average higher values for the Bulgarian companies than for the Romanian ones, as it is shown in Fig. 2(b). Among the three individual indices, the CSR endorsement of AC projects Index displays the highest value for both countries.

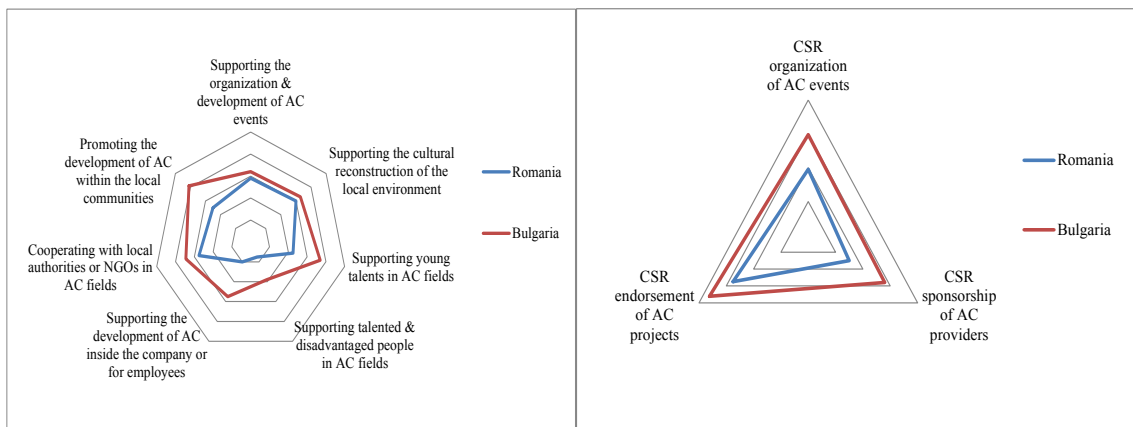


Fig. 2. The country approach: (a) AC-CSR-WV Pillars average values; (b) AC-CSR-WV Average Individual Composite Indices

1.3. The AC-CSR involvement – the industry approach

Table 3. AC-CSR-WV Average Index based on the industry

Industry	AC-CSR-WV Average Global Composite Index	Industry	AC-CSR-WV Average Global Composite Index
Automobiles	0.57	Petroleum/Natural gas	0.25
Electricity	0.17	Telecommunications	0.51
Food/Drinks/Tobacco	0.06	Wholesale/Retail	0.11
Metals	0.14		

Table 3 presents the behavior of the global index considering the industries including the selected companies. While the highest values are registered for the Automobiles and Telecommunications industries, over an average of 0.5, these results might be biased as within the studied sample there is only one company within the former industry and only three companies within the latter one. A more relevant value is considered to be the one of the AC-CSR-WV Average Global Composite Index for the Petroleum/Natural gas industry that encompasses ten companies, out of 20, being, also, close to the average value of the global index: 0.27.

The high average values of the global composite index at industry level for the Automobiles and Telecommunications sectors are predominantly reflected by the high values of the following components: Supporting the organization & development of AC events and Cooperating with local authorities or NGOs in AC fields, for the Automobiles industry, and Promoting the development of AC within the local communities, Supporting the organization & development of AC events and Supporting the cultural reconstruction of the local environment, for the Telecommunications industry. With respect to the Petroleum/Natural gas industry, the components that seem to be of less interest are Supporting the organization & development of AC events and Supporting talented & disadvantaged people in AC fields, as can be noticed in Fig. 3(a). In terms of industry, the CSR endorsement of AC projects Index displays the highest values both for the Automobile and the Telecommunications industries, as presented in Fig. 3(b). As far as the Petroleum/Gas industry is concerned, the highest value is that of the CSR endorsement of AC projects Index.

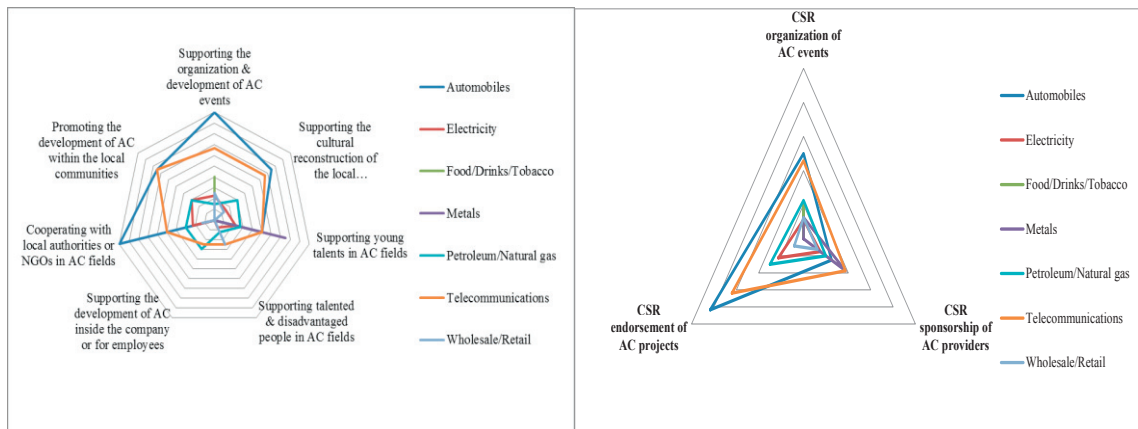


Fig. 3. The industry approach: (a) AC-CSR-WV Pillars average values; (b) AC-CSR-WV Average Individual Composite Indices

4. Conclusions

While there are differences between the corporate involvement in art and culture initiatives in Romania and Bulgaria, the general trend seems to be the same and it is highly connected to the economic and social environment. Companies prefer to invest usually in socially responsible initiatives that are strictly correlated with their object of activity, this being one of the main reasons why the analyzed companies are not so eager to invest in AC-CSR as the ones rather focused on services, for example, companies in the banking system. The empirical analysis conducted at the level of the two newest members of the EU revealed that CSR in the area of art and culture is still low developed in both countries, but even lower in Romania, although the potential of the socially responsible practices to enhance financial performance is generally accepted and demonstrated. As such, in pragmatic terms, more emphasis is needed on AC-CSR practices, top ranked companies being aware of this new strategic business opportunity for winning competitive advantages.

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