The social responsibility and competitiveness of the Romanian firm

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Abstract

Our study aims to answer some important questions about the relationship between corporate social responsibility (CSR) and the present-day Romanian enterprise competitiveness (EC): 1. to what extent do the managers of Romanian enterprises understand and implement CSR actions?; 2. what are the factors that motivate enterprise management for proceeding with CSR actions and implementing them?; 3. what is the relationship between CSR actions and enterprise competitiveness? A number of other few questions act as support for searching the answers to the three above-formulated questions. Finally, the purpose of the research is to formulate at least a consistent and viable hypothesis about the relationship between CSR and EC actions in terms of existence, meaning and intensity. The research support is the status of the CSR actions of three Romanian enterprises located in the North-Eastern area of the country. The original, exploratory component of the research was set by the choice of a heuristic approach through which we can identify the CSR principles, the enterprise management position towards them and a few basic elements to assess the competitiveness of the three enterprises. The survey was approached by appealing to direct meetings based on a semi-structured interview, whose coordinates were set by an appropriate interview guide containing five groups of questions. Processing, analysis and interpretation of results were achieved by recourse to comparative analysis, using as a basis of comparison the standard situation of the GRI report available in 2015 for European companies as a result of previous research in the field. The findings of this research have a double benefit: first, to serve as support for further testing and validation of two hypotheses derived through the abductive approach; then to identify available directions in terms of action for the Romanian enterprise in order to enhance the incentive potential of CSR actions in relation to competitiveness. The adaptations and methodological developments made in this research stage will also be followed in order to be validated and to identify possible extensions for further research.

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1. Theoretical framework

On the two basic concepts of our study, corporate social responsibility (CSR) and enterprise competitiveness (EC), literature in the field provides very diverse definitions, options, as well as theoretical or applied meanings. Based on a selection related to the scope of our research, by content analysis of different meanings and understandings and relying on a logical order, we considered significant the approaches that were consequently included in our undertaking.

In terms of CSR, we recorded not only a large variety of meanings, but also some substantial differences†. In our research, we started from a few meanings from the literature in the field and which, in broad lines, can be identified in the criteria used nowadays by various organizations that work in the field, especially in terms of international reports regarding CSR (see GRI in particular).

Understanding and using CSR in the activity of the current Romanian enterprise, as well as in its economic, political, social and cultural environment with which it gets in contact (even for responsibility and sustainable development purposes), do not either meet what the literature and the international practices in the field provide and continuously develop or do they have unitary and convergent positions.

Romanian bibliographical references usually present meanings for the concept that were presented in the international literature and in international documents accessible at that time. There are permanent time gaps and, therefore, more or less significant differences between the various meanings used to operate and, especially, between those internalized by various company managers. At this moment, the main ideas we can identify in the CSR approach in Romania can be summarized into a few main aspects.

Firstly, we can identify an integrative perspective on CSR by considering the manner in which it involves, simultaneously or at different stages, aspects of economical, social and ecological type. Even though it may seem complete, the concept does not include other aspects from important areas for responsibility and sustainable development (cultural or political elements, at least).

A second relevant aspect regards the level where Romanian companies are situated in terms of understanding and implementing CSR actions and practices, as well as the relevance of the relationship between CSR and the competitiveness of those enterprises. In this context, the enterprise and its managers are, moreover, at an initial stage or, anyway, not very advanced and hesitating. CSR actions and practices are still evaluated form the philanthropic perspective and, somehow, linked to environmental protection. The CSR position towards the employees (especially in terms of health and safety at work and somehow in terms of human resource training and development) is not as clear and explicit. The orientation of CSR towards cultural, educational and recreational activities is less obvious and is presented moreover occasionally and based on needs (when the subject is discussed and someone makes such as reference).

A third relevant aspect can be considered the lack of or insufficient systematization and synchronization of CSR actions and practices by explicitly including them into the organizational strategy. We do not have a proper strategic dimension for including CSR into organizational development. Most of the times, activities corresponding to CSR are included in the strategy based on regulations (allocating a percentage from the profit) and on more or less motivating requirements (regarding interpersonal relations, certain political, social pressures or other).

The National Strategy for Promoting Social Responsibility positions CSR especially through the perspective of the profit that needs to be allocated for this purpose based on legal, ethical and voluntary aspects (National Strategy for Promoting CSR 2011-2016). Also, we find the idea of interconnection between economic, social and environmental factors, as well as between economic entities generating added value and welfare for individuals or reference groups, but not the means that can support these dependencies for being put into practice. CSR is formally considered as source of competitive advantage, without providing the meanings for such a connection.

† A study on these meanings provided us with the first systematization for the CSR concept, presented at the GIKA conference in Valencia, Spain in July 2013 and accepted to be published in a book directed by the Poznan Institute of Technology in Poland.
International references to CSR are more explicit. From the point of view of the generated effects, activities are situated between two extremes: maximizing profits for the shareholders, on one hand, and maximizing long-term profit and individual/group satisfaction based on interests, on the other hand, which would simultaneously involve social, cultural and environmental aspects.

The European Commission provides a more specific and operational view on CSR, considering it 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’ (European Commission, 2011). The CSR meaning is here also at the level of general guidelines, fair as principle, which should rather make the enterprise and its management more sensitive towards the importance that should be awarded to CSR rather than imposing or explicitly orienting towards potential directions for action in this respect.

What results from this sketchy review of the main ideas and understandings connected to CSR is the diversity and heterogeneity of approaches, based on the more or less motivated and supported preferences for the sources, on one hand, and freedom offered to the enterprise/corporation in terms of CSR actions and practices. A systematization and delimitation of the concept is performed through certain methodologies on the subject of CSR, including the idea of an international competition on the topic and their ranking (see GRI). When the company management is not fully aware of the definitive aspects of CSR and doesn’t have the minimal necessary experience in the field, the development of actions and practices is performed rather by accident and in directions that cannot be anticipated. Also, it is mostly the case of the Romanian enterprise, which is subject to this research.

Given the heterogeneous and various meanings attributed to or used for CSR, in our study we chose an integrative approach, through which we could consider many elements proposed and applied for defining the position and the involvement of the enterprise. In this case, the enterprise should identify and solve different issues resulted from its connections with its employees, the economic, social, cultural and natural environment, the local, regional or national administrations, with the status and the needs of individuals, groups or human communities on which it depends or which influence the consequent development of the entity in a favourable environment on the long-term. In order to reflect this approach in terms of CSR-EC relationship at the level of the current Romanian enterprise, we also considered a few aspects regarding the coherence and amplitude of CSR actions performed by the enterprise in the past, according to an identifiable vision in connection to CSR and its inclusion in the strategy.

EC is a rather general concept, through which we basically identify the capacity or the potential of putting into practice actions in order to reach results above our competitors’ in a shorter period of time and by creating a superior impact compared to them. Also in this concept, there is diversity and heterogeneity in terms of meanings, still maintaining certain coherence. Therefore, sometimes we only admit the meaning of creating the conditions necessary for obtaining increased revenues or, other times, we emphasize the ability to generate more welfare than our competitors (Management Forum, 1994) or just to sell goods and services at the proper location and in the shape desired by customers at prices equal or below other producers (Sharples J., 2010). Some organizations, especially in the area of expertise and monitoring, emphasize the ability of the enterprise to face the competition (Pricewaterhouse Coopers Development, 2012) or the factors that provide the enterprise with the ability of competing on the international markets (National Competitiveness Council, Ireland, 2000).

From the many approaches towards EC we can maintain three aspects, which appear constantly and systematically in different researches and analyses: ability to sell, to face the competition and to obtain profit. In these conditions, our study will consider EC as an integrative concept, also adding the idea of competitive advantage obtained through more appropriate strategies, by also integrating CSR. The placement of this variable in defining the concept of EC is meant to favour the analysis and a potential connection between the two dimensions in the activity of the enterprise.

Despite this variety of meanings, EC seems to have rather precise synthesized approaches, which are accepted by most authors and methodologies so far. So, including accepted differences between fields, sectors or activity area, competitiveness factors at organizational level are considered to be the level and quality of human resources, the intensity of internal and external cooperation, the quality of development strategies, the inter and intra-organizational ability to innovate, the socio-cultural and environmental quality and persistence. In terms of measurement, competitiveness can be expressed through three methodological categories: the effort involved (expressed through costs, the price of the production factors involved, the investment level); the effects obtained (productivity, profitability, dividends) and means of action (the level of management and marketing, innovative
devices and mechanisms etc.). In abstract synthetic forms, we can use different competitiveness indicators: the added value rate (the added value obtained, divided by the expenses recorded); the turnover index (the turnover divided by total expenses for the period); the profitability rate (as the profit level accomplished divided by total actives of the enterprise); the social involvement and environmental protection rate.

Thus, accepting the approaches established in our study for CSR and EC, we can create a generic model which can place them into a certain relation. In this model, CSR, considered in an abstract manner for the moment, becomes an exogenous variable, while EC is the endogenous variable. The connection between the two variables, expressed as a preliminary hypothesis, can be suggested, at this moment in our research, as a simple logical relation of graphic type (see Figure 1).

![Fig. 1. The basic relationship between CSR and EC](image)

2. The methodological framework

For the empirical study, research was performed at the exploratory level of clearing the land in order to identify the set of hypotheses which could, further on, become the basis for a profound explicative endeavour. The reason for this option was that the CSR approach and its connection with EC is at a rather diffuse stage and still incoherent at organizational level. There are more or less convergent approaches on those concepts; there are practices, actions and specific activities without a clear and convergent vision in the field and without actual integration into coherent strategies. Moreover, there is also a philosophical dominant, based on which most managers consider that through CSR and sustainable development the enterprise fulfils its social function, rather imposed by regulations than resulted from feeling the need. There is also a rather common, but little argued perception that, this way, the enterprise can obtain an advantage or an improved image; it can obtain an extended effect that can be included in the marketing vision in terms of CSR. The connection with EC is vague and rather unclear.

Under these conditions, the empirical research was targeted towards identifying a small group of representative enterprises for some activity sectors in terms of positioning the area and experience in the field of CSR. Based on a rational selection, the target group for the research contained three enterprises from the North-Eastern region of Romania, all connected to the business development in the Iasi-Neamț area. All three are reference standards for the field of activity and in terms of CSR. One comes from the metallurgical industry and is the subsidiary of a large multinational corporation (enterprise B). A second one is an old and well-known company with a national brand, who made extreme efforts to survive as a state-owned company and managed to position itself at a reasonable level, preserving, so far, its image as reference standard in the field of pharmaceutical products in certain therapeutically areas (enterprise A). The third enterprise is the result of a rather successful privatization process, afterwards integrated into a private conglomerate in the textile industry (enterprise C). We preferred to identify the enterprises through symbols in order to observe the desire of the respondents, made explicitly or implicitly, of respecting confidentiality at least for certain aspects discussed.

Given the complexity and the various ways of approaching CSR from the point of view of companies and corporations with subsidiaries in Romania, we prefer starting the research by rationally delimiting study entities. We approached them as significant case studies by using an abductive and heuristic approach in order to reach a minimal set of hypothetical statements, with a high degree of vraisemblance and testable through future research. In these conditions, the chosen research technique was the sociological investigation, developed through semi-
structured interview and direct observation. In order to process data and information, we chose systematization and thematic organization of elements resulted from the interviews with important employees from each enterprise included in the research. The criteria for organizing the aspects related to CSR and EC were established based on two main references: the current literature in the field and the European GRI guidelines. The analysis and the interpretation of data and results were based on comparative techniques of content and phenomenology mainly. The use of statistic estimators was seen as a perspective for future research.

In order to accomplish this step, we chose an abductive approach, through which we targeted a primary evaluation of the actual situation in terms of CSR and EC in the three enterprises and formulating initial statements for what could become working hypotheses for connecting the two qualitative variables. This approach is heuristically developed, including rallying and recapturing some questions, phases and advanced ideas while identifying new and relevant aspects for the CSR-EC relationship inside the three enterprises, as well as potential extensions for Romanian enterprises at this moment and from the development perspective. In developing this step, the stages initially established and retaken at different moments and levels were exploration, description of existing situations, their analysis and interpretation, proposing the first intermediate explanations, elaborating hypothetical statements and proposing a first set of recommendations in terms of approach in order to reach acceptable generalizations.

As a technique for identifying, searching and collecting data, we chose the semi-open interview based on a meeting guide with the respondents selected from the enterprises and who have attributions and prerogatives in terms of CSR and EC activities. The interview guide was developed based on five categories of questions (practices-activities, motivation, means/resources, level of knowledge about CSR-SD, connection with strategy), each question providing an opening on the aspects targeted in the study and providing the basic coordinates for the respondent to intervene. As a representative of the enterprise, the person had the freedom of presenting the relevant aspects related to the question and to make his/her own comments. Therefore, from the answers to the questions in the interview guide resulted, in almost all cases, both specific situations regarding CSR in the enterprise and the opinion and the explanation of the respondent on the enterprise competitiveness and, possibly, a dependency on CSR actions. We will consider the subjectivity of these statements through the reality dose included in their formulation and, afterwards, in another paper, testing the hypotheses we are looking for.

3. Interviews results

Interviews were performed with eight important representatives from the three enterprises selected for the purpose of this research, their nomination being generated by preliminary discussions on CSR and EC aspects, as well as their availability for participating at a number of meetings with members of the research team. All respondents were previously informed about the purpose and the objectives of the research, accepting to openly answer the questions and to make additions or comments related to the meanings of the questions. None of the respondents was hesitant about providing answers to the questions, preferring, in some situations, to recommend or not to accept that some of the answers are published, considering those aspects as being confidential or necessitating the approval of their managers. These situations, which nonetheless were scarce, were not truly relevant for our approach and did not significantly influence the final results of our research.

As the questions regarding the relationship between the performed CSR actions and the EC were not explicit, the answers obtained were positioned as being favourable or not to this influence. This is the reason why we considered CSR as a positive influence in terms of EC when the respondents had an unconditioned attitude on this aspect (through the manner in which they answered the questions that explicitly targeted that relationship). In case of obtaining two or more such positioning at the same enterprise (we always had more than one interviewee per enterprise), the evaluation of such a positive influence of CSR over EC was taken into consideration only when the opinion was unanimous or as a unitary conclusion for this matter. There were no situations for which answers to the questions were ambiguous. The synthesis of the results for the interviews is presented in Table 1.

The answers provided by the interviewees provided the first truthful and credible information in terms of their knowledge on CSR and the importance awarded to CSR actions. Those positions were synthesized by grouping them into four typical situations: explicit (directly acknowledging and confirming the importance of CSR for increase in EC); implicit (tacitly and indirectly accepting CSR influence for increase in EC); low impact (consider
CSR as necessary when compared to other aspects concerning the activity of the enterprise) and no impact (CSR does not influence EC). Each position was connected to the dimension for which the enterprise has performed or has planned to perform CSR actions (employees, environment, community, culture, health, other). Those dimensions were considered based on different methodologies and previous studies that analyzed the relationship between CSR and competitiveness.

Table 1. The synthesis of positioning towards CSR

<table>
<thead>
<tr>
<th></th>
<th>Enterprise A</th>
<th>Enterprise B</th>
<th>Enterprise C</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>Recruitment, selection, training, health and security (productivity increase)</td>
<td>Training, recruitment, security and protection (productivity increase)</td>
<td>Encouragement, rewards, special interest (productivity increase)</td>
<td>Explicit positioning - productivity increase</td>
</tr>
<tr>
<td></td>
<td>Explicit (productivity increase)</td>
<td>Explicit (productivity increase)</td>
<td>Explicit (productivity increase)</td>
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<tr>
<td>Natural environment</td>
<td>Integrated management system, recovering and reusing waste, reducing polluting factors (cost reduction, revenue increase)</td>
<td>Anti-pollution investments, using forms of renewable energy (cost reduction)</td>
<td>Regulations, cost reduction (cost reduction, customer satisfaction)</td>
<td>Dominantly explicit (cost reduction, revenue increase)</td>
</tr>
<tr>
<td></td>
<td>Explicit (cost reduction, revenue increase)</td>
<td>Explicit (cost reduction)</td>
<td>Implicit (cost reduction, customer satisfaction)</td>
<td></td>
</tr>
<tr>
<td>Community</td>
<td>Charity, philanthropy, image (low impact)</td>
<td>Help, support for local development, involvement in education (formation facilities, mentality change, diminished losses and costs)</td>
<td>Charity, philanthropy, ethics, image (low subjective impact)</td>
<td>Diffuse – hesitation between favourable influence and image</td>
</tr>
<tr>
<td></td>
<td>Mediated perception</td>
<td>Explicit (formation facilities, mentality change, diminished losses and costs)</td>
<td>Mediated perception</td>
<td></td>
</tr>
<tr>
<td>Culture</td>
<td>Scholarships, book launches, conferences (mediated perception)</td>
<td>Education, local events (mediated perception)</td>
<td>Education, ethics, image (mediated perception, low impact)</td>
<td>Mediated perception – positive role through generated effects</td>
</tr>
<tr>
<td></td>
<td>Mediated perception</td>
<td>Mediated perception</td>
<td>Mediated perception</td>
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<tr>
<td>Health</td>
<td>First care, blood donations, modernizing hospitals (especially image)</td>
<td>Caring for the employees, security and protection (productivity)</td>
<td>Routine check, care and hospitalization, insurance payment (cost reduction)</td>
<td>Dominantly implicit – image, health of employees of the community, cost reduction</td>
</tr>
<tr>
<td></td>
<td>Implicit (productivity increase)</td>
<td>Explicit (productivity increase, cost reduction)</td>
<td>Explicit (productivity increase, cost reduction)</td>
<td></td>
</tr>
<tr>
<td>Others (customers, suppliers, partners)</td>
<td>Sports (mediated image) perception, image</td>
<td>Requests from partners, customers, local development actions (revenue increase)</td>
<td>Requests from partners, suppliers, social awareness and image (revenue increase, improving market relations)</td>
<td>Diffuse – image, improving relations, revenue increase</td>
</tr>
</tbody>
</table>

4. Interpreting results and formulating hypothesis

Answers to the questions in our interview guide, as well as the comments provided during the meetings with the interviewers were interpreted based on the senses in the context. Considering the dominant senses included in the answers, as well as the comments provided by the respondents, we reached significant positioning in terms of CSR-
The degree of knowledge on CSR philosophy, activities and practices, estimated through the answers to the questions and from respondents’ comments, is different from one employee to another and from one enterprise to another. The representatives of enterprise B have a better and more structured coverage on CSR, as well as its relationship with EC. For them, CSR is a set of associated activities, actions and practices by which the enterprise aims to harmonize its interests with those of the employees, the environment and the community, the enterprise benefiting from some positive effects and the influence that CSR exerts on competitiveness being predominantly explicit and generally favourable and positive. Those respondents are informed, have a good knowledge in terms of CSR and its effects over the enterprise positioning and functioning, of its competitiveness. There is a corporate strategy in this field, managers at subsidiary level are informed and have adequate knowledge over the principles and implementation rules. At respondents’ level, for this enterprise there is a positive relationship of dependence between CSR and EC. That relationship is two way: the level and orientation of CSR actions and practices positively influence EC, while EC supports the level and dynamics of CSR. There are no estimations or specific concern to the degree or the measure to which the influences are present.

Even if some differences of perception can be distinguished, the dominant aspect for enterprises A and C is that, even though a connection between CSR and EC can be discussed, it is not obvious and cannot be proven as such. The most important aspects revealed during the interviews are those that outline the connection between CSR, image, prestige, joy of creating actions and activities to support the employees, the community or for environmental protection. For these enterprises, CSR is moreover a median variable, which reflects or suggests solidity, the chance for future development and the benefits which can be brought for others or the environment (business, administrative, natural and so on). As a significant difference between respondents’ positioning (enterprises A and C) versus CSR we can observe the dominant of pride and joy of sharing with others the benefits with the help of CSR, for the first (A), in terms of commitment and duty, felt especially in the latter case (C).

From these positioning, we can derive an influence relationship of EC over CSR rather than of CSR over EC. The synthesis of perceptions from the three enterprises in terms of CSR-EC relationship reveals a few important connections, on which we could base two basic hypotheses for our study:

1. CSR actions and practices developed by the enterprise in favour of employees (in terms of recruitment, orientation, selection, formation and motivation) directly and positively influence work productivity (regardless of the category and the activity sector to which the enterprise belongs);
2. CSR actions and practices in support of the (natural) environment positively and indirectly influences the production costs of the enterprise (regardless of the category and the activity sector to which the enterprise belongs);
3. CSR actions and practices oriented towards the community positively and indirectly influence, in a significant manner, the image and the social importance of the enterprise (regardless of the category and the activity sector to which the enterprise belongs);
4. CSR actions and practices developed in the cultural environment (including education and sports) positively and indirectly influences the image and the appreciation for the enterprise;
5. CSR actions and practices developed in the health sector (hospitals, medicines, care) positively influence the image of the enterprise;
6. CSR actions and practices developed for improving relationships with suppliers, customers and partners positively influence the revenues of the enterprise.

Even though we generalized the statements derived from processing and analyzing the answers to the questions included in our interview guide, shading them in connection with enterprise category could be useful. Further research will also attempt to clarify such possible differences. Also, the basic hypotheses that we elaborated and presented try to outline potential differences, each of them capturing the dominant perception of the interviewees from the enterprises included in the study and not (what we can only suppose) the actual connection between CSR and EC.

Based on the dominant positions identified for the interviewees and based on the above-outlined connections, we can propose two basic hypotheses for the CSR-EC relationship. The first hypothesis (valid for valid for enterprises
with tradition and coherent CSR practices): The level and orientation of CSR activities and practices put into practice by the enterprise positively influence their EC. The second hypothesis (valid for enterprises that have experience and initial practices in terms of CSR): The level and orientation of CSR activities and practices put into practice by the enterprise are dependent on their OC.

5. A few intermediate conclusions

Our abductive-exploratory and qualitative study was developed on three enterprises representative for the North-Eastern region of Romania. They played the role of pilot studies that would enable us to answer accurately enough and to be able to build some viable hypotheses for the following challenges: the level of understanding and applying CSR actions and practices; the influence factors for initiating and developing CSR actions and practices; the perceived relationship between CSR and EC. The methodology used, based on exploratory, qualitative and abductive research of an ever-changing reality for the Romanian enterprise nowadays and developed based on an investigation performed by direct meetings with a significant number of representatives from the three pilot enterprises, has led us to obtaining clinching results at this research level.

The Romanian enterprise nowadays is situated at a relatively incipient level in terms of CSR approach and, equally, of its relationship with EC. There is knowledge for this concept and reality, its use and explanation being heterogeneous and not always converging. Therefore, there is a large diversity of CSR actions and practices, their orientation being based on wishes, circumstantial influences, subjective preferences and cultural inclinations of important managers in those companies. The situation for local subsidiaries of large multinational companies is rather different in terms of level of understanding and applying CSR, as well as its connection with EC. For these, we can talk about coherence, systematization and strategic orientation from the point of view of CSR and its relationship with EC, based on a good adaptation to the national environment, as well as volatility and lack of real implementation of corresponding regulations.

The main factors that favour CSR actions, as such and compared to the perception of its influence on EC, there are some who predominantly support the charitable and philanthropic positions of the enterprise, as well as the legal provisions in the field (the obligation or the necessity of allocating 2% of the profit for CSR). The representatives of multinational companies subsidiaries are reaching closer to the endogenous factors of business development: employees, quality of the environment, fair development of relationships with partners, suppliers or customers and so on. The position related to CSR factors also proves the inclination of managers for certain orientations towards corresponding actions, as well as some deformation of the philosophy and content attributed and admitted for it.

The relationship between CSR and EC is not very clearly and precisely oriented for the Romanian enterprise nowadays, the exception being again the subsidiary of the multinational corporation. Therefore, are generated the somehow diffuse and diverse senses of the statement provided by our study for the six connections available at the end of our paper, as well as the two basic hypotheses that we will check and attempt to validate in future research.

As an intermediate conclusion between the finalized phase of our research and the next one (whose results will be included in a future article), we can formulate the idea that there is a significant difference between what could and what should be the logical relationship between CSR and EC and what this really is for the Romanian enterprise nowadays.

References

www. management forum.co.uk, 2010