SUSTAINABILITY AND COMPANY'S CORPORATE SOCIAL RESPONSIBILITY NEED[1]

MONICA VIOLETA ACHIM [*]
SORIN NICOLAE BORLEA[**]

Abstract

The company is a living organism, is an entity and its analysis should be made taking into account the whole system. The company is a dynamic environment, which has as a mainly aims to add value for all participants in the economic life.

In the organizations, the achievement of the concept of sustainable development is achieved through the concept of societal responsibility of the organizations. For this scope we need to use the term introduced by Elkington namely "The Triple Bottom Line" which involve economic prosperity, environmental compliance and improve social cohesion. [11]. So, "The Triple Bottom Line" can be defined as an approach for measuring the overall performance of an organization according to its triple contribution to the three aspects mentioned above.

The new conceptual framework change radically the final aim of a company because it is not anymore maximizing the value of shares held by shareholders, but it is maximizing value for all stakeholders, where shareholders are just another category of stakeholders.

Sustainable development and globalization require new performance standards that exceed the economic field, for both national company and international ones. As a consequence, these standards must be integrated into the company's development strategy, to ensure sustainability of activities carried, by the harmonization of economic, social and environmental objectives.

Keywords: *sustainable development, corporate social responsibility, company, economical, social and performances environmental.*

Jel Classification: D00, D20, D30, D40, D60

Introduction

The idea that a company has obligations exceeding its economic role is not new. Not infrequently, history shows that organizations producing goods and services were involved in political action, social and / or military, in addition to core activities. Studies have shown that during the nineteenth century, the company has seen a rapid evolution. It is not surprising therefore that in the mid-twentieth century, the corporate social responsibility (CSR) is an object of analysis of some American experts in business management, giving in particular Peter Drucker. In 1970, the economist Milton Friedmann drew the effective value of the corporate social responsibility as being to achieve a profit within the rules of ethics and societal laws. [3]. Moreover, the financial performance does not necessarily provide a firm future because a business can not develop in a world that fails. Voltaire said: "We are not good at anything, when we are good only for ourselves."

In brief, the role of corporate social responsibility might run within 4 main areas of interest as a matrix called "corporate social responsibility matrix", as follows:

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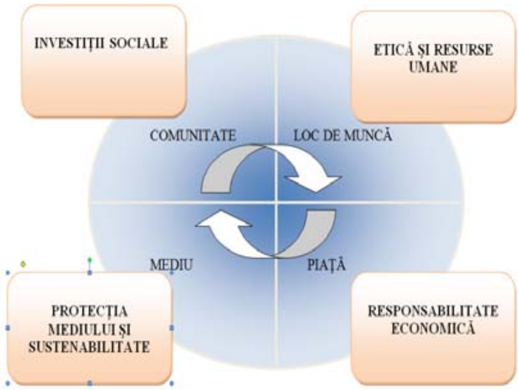
[*] Senior Lecturer, Ph. D., „Babes-Bolyai" University, Cluj-Napoca, Romania, (email: monica.achim@econ.ubbcluj.ro).

[**] Senior Lecturer, Ph. D., Vasile Goldis University, Arad, Romania, email: snborlea@yahoo.com

FIGURE no. 1 CSR MATRIX



Source: Pintea, 2011

The social responsibility means [13] managing a business in a socially responsible manner so that business:

- ✓ To promote **ethical practices** in employment policy and take an interest in **improving working conditions;**
- ✓ To be involved in building of a **local community** and to disclose their actions in this regard;
- ✓ To invest in building of **social infrastructure;**
- ✓ To contribute to maintaining a clean **environment**, to its protection and **sustainability;**
- ✓ To contribute at **economic development**, broadly, through the activities undertaken.

1. Marks regarding the origins and evolutions of the corporate responsibility concept

The theme of corporate social responsibility has gained a real size only in the early 90's, with a significant acceleration to 2000. The debate on corporate social responsibility concept fits into the global debate on the future of the planet (in the economic, social and environment) around the concept of "sustainable development" formalized by United Nations in 1992, at the World Summit in Rio. The Sustainable Development theme was initiated in 1970 along with publishing of the first report of the Club of Rome entitled "The Limits of Growth"

The Brundtland report (1987), sustainable development is defined as "the current generation capacity to meet the needs of the present without compromising the ability of future generations to meet their own needs".

If before 2000 sustainable development was a theme addressed in macro-economic terms, today it is discussed mainly in terms of micro-economic, at the companies' levels. The sustainable development issue is mainly referring to the large multinational corporations, given the turnover and presence in all countries including those in which human rights or the fight against corruption is not a priority for governments. Sustainable development applied to the corporations and economic entities in general has resulted in the concept of "corporate social responsibility".

Corporate social responsibility (CSR) as a concept is mentioned for the first time in Lisbon (2000). In July 2001 the Commission published the Green Paper "Promoting a European framework for corporate social responsibility", whereby public authorities at all levels, namely: international organizations, enterprises, social partners and all interested persons, are called to are called to "express their opinion on the manner in which to build a partnership to establish a new framework to promote corporate social responsibility, taking into account the interests of both companies and the various parties involved ".

Concretely, European Commission in "Green Paper" defining the concept of social responsibility as "the voluntary integration by companies of social and environmental concerns in their economic activity and the relationship with interest groups". From this definition emerge three fundamental principles:

- Voluntary action of companies;
- Triple approach: economic, social and environmental;
- Align to the corporate interest groups (eng. "stakeholders").
- From this level was launched the concept of "Best Practice" in areas such as:
- lifelong learning;
- work organization;
- equality;
- social inclusion.

2000 Lisbon Agenda calls for the involvement of companies in achieving the targets set for the future of Europe, in anticipation of 2013. In the new economic and social space of the beginning of XXI century, the company / firm is the most dynamic force of the new institutions of market economy [12]. Effectiveness companies will no longer be measured only in terms of economic performance, which are directly influenced by the s social and environmental approach. Operation in long-term competitiveness in the context of an increasingly globalize economy challenge the company to develop strategies and policies to ensure the business **transformation in an environmentally and socially responsible business.**

The European Commission Communication of 03.23.2006 "Making Europe a pole of excellence in corporate social responsibility" emphasize the fact that corporate social responsibility (CSR) "become a more and more important concept in the world". European Commission's 2006 Communication is also a basis for achieving the objectives set by the Lisbon Agenda for the period 2007 to 2013.

2. Factors that have led to need for social responsibility

The current interest for CSR is the result of a set of factors that are contributing to increased attention to RSE, such as:

Globalization - with important consequences for cross-border trade of multinationals and world-class supply networks - raises, in the CSR, many more concerns, mainly in practical human resource management, environmental protection, health and safety.

Multinational companies based in developed countries, but producing and buying materials raw in/from developing countries, use the enterprises from these countries as sub-suppliers of material resources and cheap labor. The involvement of multinational companies in developing welfare policy, environmental protection and workers rights in developing countries is expression of their responsible behavior, but also a challenge to reduce pressures in countries of origin of multinationals, by reducing the cost competition. [9].

Thus, globalization is an accelerated process of economic integration, whose consequences are reflected on sustainable development and that call for the big companies to introduce of social corrective in their work.

Increase **the frequency of cycles of growth and economic decline** after the Second World War, culminating in **the great financial scandals of the early 21 century.**

General climate of trust in the predictability of economic events that characterized the growth period after World War II, was replaced in the last 30 years by an increase in the frequency of cycles of growth and economic decline, which contributes to create an impression of uncertainty, unfavorable corporations.

Early 21st century was tumultuous in terms of global financial and economic life, which is shaken by multiple financial scandals generated by bankruptcies of a large corporations that have occurred since 2001 (energy group Enron Corporation) and continuing with 2002 (WorldCom, Qwest Communications, Adelphi, Global Crossing, Nortel, Parmalat).

Series bankruptcy crisis started with the spectacular giant energy group Enron Corporation, WorldCom will (most significant bankruptcy in U.S. history), Tyco International, Qwest, Xerox, Lehman Brothers, American suite, Vivendi Universal, Ahold and Parmalat in Europe. [4].

In this context, corporations are forced to restructure in depth how to act, become unsatisfactory to investors and shareholders whose number is growing. The role of multinational companies is now a complex one these are players with full responsibilities in the social landscape.

Shift from physical production-centered economic model based on exploitation, pursuing individual interests, towards the **sustainable development model, centered on intangible assets**, focusing on quality of life, resource conservation, the interests of society as a whole.

Just as the welfare of a country is no longer measured only by GDP but also in terms of education, health, freedom of expression, the income distribution, in the same way the state of an economic entity is no longer assessed solely by financial results. Much of the company's capital is founded today more on people's intelligence and less on infrastructure. It's about image, mark, about the shift from quantity to quality.

Increased transparency of the economic environment along with **global increased of information flows** through development of new technologies and especially TIC. Information about unethical attitudes of a company can be known not only at home, allowing more rapid intervention parties.

The evolution of information technologies, that can exchange information in real time at low cost has enabled a growing number of people have access to information and ask for more transparency in the conduct of business. Consumer type passive receiver (*consumer-client)* gives way to an active subject who wants to critically consume (*consumer-citizen*) who wants to know which are the social costs of the products and services they consume. [2].

Increasing the role of opinion society in landscape view of economic life

Opinion society is characterized by so-called phenomenon NIMBY (from engl. "Not In My BackYard") [10].

This phenomenon refers to the opposition shown to the projects of common interest that may affect human life's quality. The phenomenon is characterized by a local aspect of reactions such as local reaction to the installation of a factory, to a new infrastructure, etc.. It is characterized by individualism, a high community spirit and includes claims population to participate directly, actively, to make decisions. NIMBY phenomenon reveals extensive implications in democratic societies: finding a balance between private and general interests, which is possible only through transparency and open discussion with social actors.

Last but not least, public opinion greatly influences the attractiveness of the company, ability to attract human resources. Human resource managers found that the younger generation is very sensitive in terms of corporate values and they take it into account as criteria in choosing a job. In case of less attractive sectors where recruitment is difficult, any defamation that could stain the corporate reputation is a fundamental risk

The above is added the great social and economic disparities world, the warming of the planet phenomenon, more frequent periods of financial and political instability.

The balance between developing new global economic structure and people's expectations is a first contributing factor of the global trend towards a greater awareness of Social Responsibility, primarily for large companies , usually and then for domestic enterprises, including SME's.

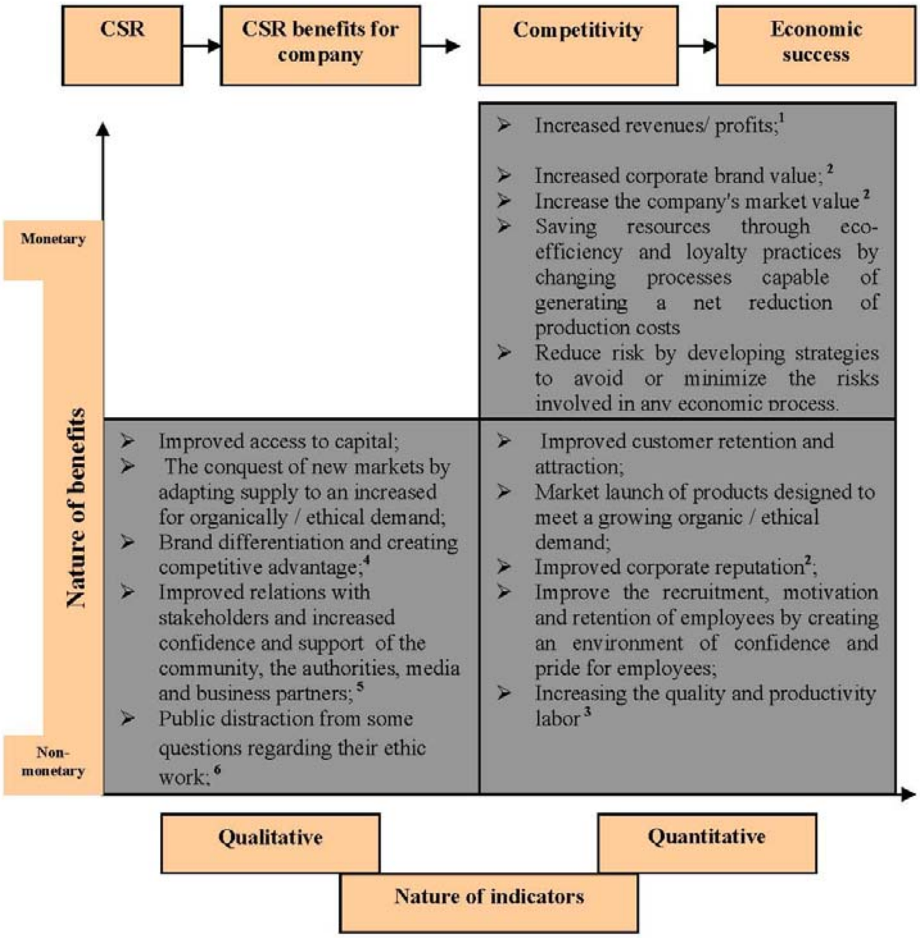
In the new economic and social space of the beginning of XXI century, the company / enterprise has become the most dynamic force of the new institutions of market economy. [12]

United Nations Global Pact, - through its 10 principles based on fundamental documents, calls the enterprises, on their leaders, to adopt, to promote and to be granted a human rights, labor standards, the environment and fight against corruption fundamental values set. In this context more and more European companies have promoted strategies on corporate social responsibility (CSR) as response to social, economic and environmental pressures. Strategies aim was to send a signal to everyone involved with these companies interacts.

3. CSR benefits for companies

The benefits of defining and implementing a corporate social responsibility (CSR) strategy, for the company, may vary depending on the area and the local or global community in which company operates. However, in all cases, The benefits of such implementations are appearing on medium and long term (over 3-5 years). Exceptions are companies whose brand is already known in the community or target market.

Figura No. 2 CSR BENEFITS FOR COMPANY



Source: adapting after Weber, 2008

[1] First of all, among the effects of implementation CSR in companies, there are traced the financial effects (quantitative and monetary), in areas as: increase income, decrease costs and increase profits. Numerous scientific studies come to support this hypothesis:

A study of IBE (Institute for Business Ethics) has shown, by calculating financial and corporate responsibility indicators, that 'ethical' companies generated a net superior value added and a profits on average 18% higher than other companies [20];

Moreover, a large number of analysis and empirical studies analyzing the effect of environmental performance on financial performance (Lapalnte & Lano, 1994, Lano et al., 1998, Konar & Cohen, 2001, Khanna & Damon, 1999) and theoretical results indicate either a positive or negative connection. Konar and Cohen (2001) have shown significant positive effect of good environmental performance, measured by toxic emissions on the value of intangible assets of firms.

Similarly, Austin et al. (1999) demonstrated that good environmental performance, expressed through various measures (eg. toxic emissions) positively influence the rates of return on equity. In accordance with the above-mentioned studies, Hart and Ahuja (1996) showed that the degrease of emission level results in a better financial performance, based on accounting information for a period of two years and Filbeck and Gorman (2004) by comparing for a period of three years the revenues to the penalties related to the environment, show a positive link between financial and environmental performance.

A study conducted in 1997 by DePaul University - Chicago found that those companies that have defined a social involvement towards the ethical principles strategy have financial benefits (based on the annual sales / revenues) more better than companies that do not involve themselves in this direction .[21]

A study over a period of 11 years conducted by Harvard University found that companies that act as social partners in the market had a growth rate of 4 times and 8 times higher when increasing the number of employees were compared with companies that are focused only on their business and profit.. [21].

[2] A survey conducted in year 2000 by the prestigious company Burson-Marsteller in three most important European markets: Britain, Germain and France attends to the followings results [18].

- 66 % of opinion leaders were interviewed strongly agreed that business involment in the community will matter greatly in the future;

- 64 % of opinion leaders surveyed were strongly agree that a company’s reputation will affect their decisions as legislators, decision factors, journalists and investors;

- 42 % of opinion leaders were interviewed strongly agreed that corporate social responsibility will influence a company’s share price in the future.

[3] Experts from Business for Social Responsibility said that "the company's efforts to improve working conditions, reducing environmental impact and increase employee involvement in decision making, most often leads to **increased productivity and reduced error rate.** "For example, companies that invest in improving working conditions and good practice with providers often reveals that decreases the number of scrap or raw material that is damaged and can not lead to a quality product that is sold.

[4] In this increasingly crowded market, companies seek to define **new competitive advantages** that could separate from the competition in the consumer's mind. Studies conducted in European countries showed that a reputation for integrity and business practices represents an important image capital in defining competitive advantage. Moreover, the chances of winning EU funds increase substantially by respecting what the Council of Europe has defined as corporate social involvement

[5] Types strategies and initiatives CSR help the company **to increase confidence and support** of the community, the authorities, media and business partners. Community will be significantly more favorable towards a brand which are perceive as involved in its development or in improve their living conditions. Authorities are always interested in identifying the partners which participate in sustainable development of the community but also to help lower the budget financial effort to improve living conditions of a community. The media is the basic support to popularize CSR strategies. Many companies want their brands association with a strong brand and therefore CSR initiatives contribute greatly to increasing the visibility and thus the power of a brand.

[6] Corporations can use CSR profile programs in an effort **to divert public attention** from some ethical questions targeting their activities. Examples of such companies are in the areas of cigarette manufacturers and in companies which produce environmentally hazardous waste.

Conclusions

The adoption of social responsibility in business occurs in response to strong economic pressures, social, legislative push corporate activity, the industrial revolutions that marked the world economy, culminating with the economic crises. Corporate social responsibility (CSR) is in fact a complementary and effective agreement between business and society in which they operate. CSR is defined by how businesses align their values and expectations with the needs and requirements of the society where we include - not only customers or investors, but also their employees, suppliers, community, legislators, special interest groups, with other words, society as a whole. CSR is in fact, the extent to which business is committed to match the expectations of society. CSR is a concept very generous, and has begun to change the world we live. Society today is interested in both the financial performance of companies and the way they do their business. In this context, an increasing number of companies adopt, as part of organizational culture and business strategy, the corporate social responsibility.

CSR's key points include business management, supply chain, environmental protection standards on relationships with employees, and the community that we are part, human rights and social equity. CSR is not merely the fulfillment of a debt against the society; it can bring a real competitive advantage. Thus, through an effective social responsibility, companies can benefit from these advantages: optimization of opportunities of access to capital, improving brand image, increase sales, attract, retain, motivate and develop employees, improve decision making, improve risk management and reduce costs.

The approach of corporate governance to ensure maximum satisfaction on social needs, must address the following participants in economic life (stakeholders)

- *Corporate Governance*, achieving social objectives should be applied first at the level of corporate governance structures by: ensuring the independence of directors and managers at different organizational levels, respect shareholder rights, transparency of information, an efficient, transparent and independent internal audit and control system.
- *Customers:* the link cost-effectiveness-satisfaction, correct and timely information, ethics and balanced contractual relationships;
- *Employees*: jobs, work motivation (bonuses, promotion), health and safety conditions at work;
- *Creditors:* timely payment of credit and interest rates;
- *Providers:* ethical and fair contractual relationship;
- *State:* timely payment of state taxes and fees, environmental protection, respect for law;
- *General public:* creation of new jobs, local market development, healthy environment, sponsorships.

In conclusion, we can assess corporate social responsibility as "an obligation freely assumed by a firm, beyond the legal obligations or restrictions imposed by economic, to pursue long term goals are for the benefit of society“ [14].

The advantages of CSR have been seen and will be taken increasingly on the future by more and more companies which are interested in a long-term strategy and an investment that brings benefits not only the image and confidence level but also at sales, all leading to the identity of a smart and healthy organization.

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