

CORPORATE SOCIAL RESPONSIBILITY – ONE STEP FURTHER TOWARDS SUSTAINABLE DEVELOPMENT

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ABSTRACT: The development of this paper has been based on an approach that moves from the international to the national sphere, with particular focus on the aspects concerning social responsibility, a component of efficient corporate governance, starting from the idea that a summary of the findings of these comparative studies is essential, as they may become actual examples of practical use of the various corporate governance theories, with the possibility to highlight the best practices of corporate governance in general. The range of benefits such a research project conveys also includes the possibility to identify and understand the international best practices in the CSR field that would further contribute to the implementation of the corporate governance principles and the further enhancement of CSR for Romanian business entities.

Keywords: sustainable development, corporate governance, responsibility

JEL Codes: G 34, M 14

Present research status

CSR (Corporate Social Responsibility) is a concept referring to the contribution companies should have to the development of modern society. Throughout time, this contribution has been defined differently by several schools of economic thinking. The “responsible” initiatives of companies have been known under a variety of names: *corporate citizenship, corporate philanthropy, corporate societal marketing, community affairs, community development etc.*

The debate related to corporate social responsibility has started since the half of the previous century. In 1953, Bowen (1953), also known as the “father of CSR” has written the fundamental paper *Social Responsibilities of the Businessman*, which has subsequently changed the outlook from business to social responsibility and which defines this topic as follows: “*the businessman’s obligation to pursue those policies, to make those decisions and to follow those lines of action which are desirable in terms of the objectives and values of our society.*”

Milton Friedman, the recipient of the Nobel prize for economic sciences in 1976, states in the very title of an article published in the New York Times that: “*The social responsibility of a business is to increase its profit.*” In his opinion, only people can have different responsibilities. A corporation is an artificial entity and we can therefore assume that its responsibilities are artificial as well. However, the “*business environment*” as a whole cannot have any responsibilities, not even in the broadest sense. The field had rapidly developed in the years before the economic and financial crisis that began in 2007 and continues to this day, as various new approaches and theories on the topic continue to emerge.

Interest in the CSR topic consisted in the emergence of new concepts, alternatives such as corporate sustainability, compared with CSR by Van Marrewijk (2003), or corporate citizenship introduced by Matten et al. (2003) and Wood and Lodgson (2002). An interesting classification of CSR is drawn by Frederick (1987, 1998). It is based on the transfer from the ethical concept of CSR (that he calls CSR1) to the management concept of social responsibility (CSR2), going through the

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inclusion of normative ethical elements to CSR3 and, finally reaching the final level of CSR4, by considering the role of science and religion in specific management issues.

Buchholtz, through the model of the four dimensions of CSR1, states that: “*social responsibility encompasses the economic, legal, ethical and charitable level, in terms of the expectations society has from organisations at a specific time.*” This so-called “*quadruple model of corporate social responsibility*” that was initially suggested by Archie Carroll in 1979 and subsequently perfected in a paper written together with A. K. Buchholtz is believed to be the most intricate and broadest accepted model of social responsibility for large companies. The social responsibility of the corporation is regarded by the author as a multi-layered concept, with four distinctive aspects that are closely related – i.e. *economic, legal, ethical and charitable responsibilities*, arranged in a pyramidal structure. Therefore, the *real* social responsibility entails the presence of all four dimensions in the behaviour of the corporation.

Recent developments in the theory, and particularly the practice of CSR also consist of papers published by Romanian authors. In this respect, Irina Eugenia Iamandi (2012) analyses the communication of CSR in Romania, through transparency and participation, as provided in the revised Strategy of the EC 2011 -2014 for Corporate Social Responsibility, developed by the European Commission in October 2011. These documents reveal the new economic and social circumstances emerging in EU countries after the crisis. Among the major lines of action provided in the documents, mention must be made of two that refer to communication, namely: increasing the visibility of CSR and disseminating best practices, improving the disclosure of the company data referring to society and the environment. Obrad et al. (2011) analyse the CSR perception and realities in Romania, from the standpoint of multinational companies which, after entering the domestic market after 2000, have maintained the CSR strategies and have applied CSR principles from their countries, creating CSR practices that can also guide the other companies in our country. Tamara Eugenia Băleanu et al. (2011) focus on the CSR practices of the most notable companies in Romania as well as on their beneficiaries.

In 2001, The European Commission has published The Green Paper - “*Promoting a European Framework for corporate social responsibility*”, defining corporate social responsibility 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.*” CSR is defined also as the obligation to have a positive impact and, at the same time, to reduce negative effects on society. After examining both the positive and the negative impact of CSR projects, research has shown that the lack of social responsibility activities, as well as negative information, have a stronger impact on consumers than positive information. There are studies that have shown that the information about the CSR activity of certain companies can also influence brands.

As countries and international organisations have realised that the adoption of CSR principles by companies also helps the sustainable development objectives, the need for international standards that would define the meaning of a “*a desirable corporate behaviour*” has also emerged. The United Nations, the European Union and the Organisation for Economic Cooperation and Development are three of the most important institutions that have decided to develop a framework that would define CSR and identify the indicators that would enable its most transparent assessment. This framework was accompanied by recommendations and principles that would guide states and local authorities in developing public policies that would promote, ensure the transparency of and support CSR initiatives.

National regulators have further developed European recommendations and have started to regulate certain aspects of social responsibility. Thus, since 2002, in Great Britain and France, there has been a Ministry of Social Responsibility, and France has adopted legal standards that compels companies listed on the Stock Exchange to prepare a report on their social responsibility activities. Companies are asked to evaluate the impact their activities has on the environment and on society

and, by means of a dialogue with all the parties involved, to find ways to take part in the harmonious development of society.

The benefits of corporate social responsibility

The presence of the financial crisis has also intensified the debates related to the CSR concept. Most of these debates refer to the role played by CSR in society and the pros and cons of the involvement of companies in such social responsibility activities. The main benefits provided by CSR according to professional literature are: *it increases financial performance, it augments the notoriety of the brand and consolidates reputation, it increases sales and customers' brand loyalty, it increases productivity and quality, enhances the ability to attract and keep employees, enhances the respect from society and access to capital.*

1. CSR programmes help companies differentiate their competition and achieve brand loyalty. *There are two factors that now make CSR a powerful weapon in consolidating a brand:*

- Consumers have become better informed, more able to express their opinions and more interested in the subjects related to health, the environment or social issues;
- The market has become increasingly crowded and brands have been forced to find new and relevant ways to develop emotional ties to the public.

Since they meet such emotional needs, CSR programmes are a good opportunity to communicate the brand values in a memorable way.

2. CSR programmes help companies improve the reputation of your company. At present, the success of any company directly depends on the trust gained from the community they are active in, from the local authorities, the media or stakeholders. Without this trust, the company faces several risks. For instance, it becomes vulnerable to protests from activist groups or organisations, it endangers its relationship with the authorities or its partners, who will no longer want to endanger their public image by being associated with a company whose practices are doubtful. Last, but not least, journalists and opinion leaders tend to be more aggressive and more sensitive to the (sometimes planned and false) attacks against the company.

3. CSR programmes help companies attract and keep their valuable employees. *In any company that is active in a highly competitive environment, the employees' attachment to the brand is essential. And attachment is not only earned through salaries but especially through the importance given to the brand values.*

The research referring to the number of CSR projects conducted during the financial crisis is rather limited. Karaibrahimoglu (2010) highlights the effects of the financial crisis on the number and scope of CSR projects. The findings have revealed that the main stakeholders targeted by companies are social issues and employees. The crisis and the ensuing panic has caused a severe decline of the number of social responsibility projects in 2008, conducted by the companies included in the top %00 Fortune included in the analysis. Njoroge has conducted studies on the effects of the financial crisis on CSR projects and has stated that most companies have reduced their corporate social responsibility activities and their respective budgets. The author also mentioned that the effects of the crisis are the postponing and even calling off of rather important and numerous CSR projects.

Table nr.1.

Corporate social responsibility strategies

| Type of CSR strategy | Nature and effects of the strategy | Benefits of its implementation |
|--------------------------|---|--|
| Reactive strategy | Increasing efficiency and legitimacy by adjusting internal procedures | Flexible organisational architecture; fast and low cost reconfiguration of internal processes; investments in training, resources and innovation in order to accelerate alignment with the |

| | | |
|----------------------------|--|--|
| | | stakeholders' demands. |
| Adjustment strategy | Maintaining the current position on the market through actions that influence the demand of the main stakeholders | Amassing and expanding social capital; activating social networks to defend the current position on the market; lobby for reducing unexpected changes. |
| Defensive strategy | Gaining a competitive advantage and increasing reputation by taking preventive measures that are based on anticipating the changes in the stakeholder's wishes | Constant investment in environmental protection; hiring professionals and collecting knowledge on the changes in the stakeholders' wishes; early predictions on the changes in their wishes lead to the efficient allocation of resources. |
| Proactive strategy | <i>Actions that are meant to shape and redefine the main stakeholder's wishes, demands and values in order to align them with the company's underlying values.</i> | <i>Influencing social culture; thus, the company can create and actively develop its basic rules and regulations in order to influence social culture as it desires.</i> |

Source: Adapted from Fang, Shyh-Rong, Huang, Chiung-Yao, Huang, Stephanie Wei-Ling , *Corporate social responsibility, dynamic capability and organizational performance: Cases of top Taiwan-selected benchmark enterprises*, *African Journal of Business Management*, Vol. 4(1), 2010, pp. 120-132.

The figure below is meant to present the relationship that should exist between corporate governance and social responsibility. We believe that this relationship is necessary and this statement is based on the relatively low number of companies that have a good relationship. Thus, the American corporate governance is to be taken as an example, but it should, however, be adapted to the circumstances of Romanian business entities before being implemented.

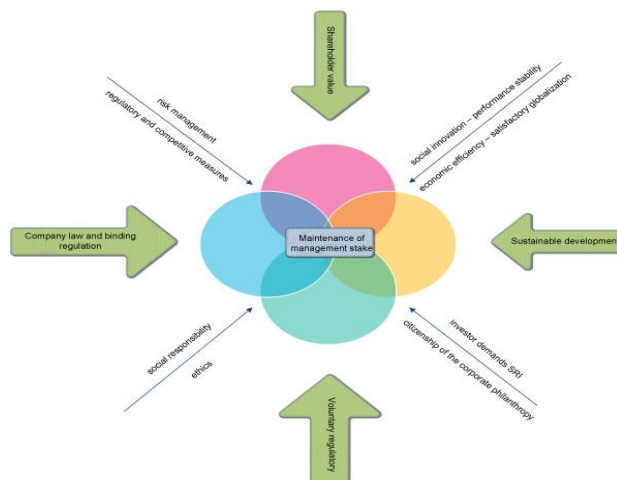


Figure nr.1. Map of the 4 recommendations related to the corporate governance-social responsibility relationship

Source: author's own elaboration

The mixture of imposed ownership rights and weak mechanisms for solving conflicts of interests among multiple shareholders generates “corporate governance” problems which eventually lead to a negative trend in capital markets, insufficient external funding, lower value of companies and higher capital costs, etc.

Social responsibility in international companies

The number of international companies that support social causes is increasing. Thus, companies believe they can stand out, that their actions are appreciated by consumers, that they earn the consumers’ trust, as long as there are no major differences between their products and those of their competitors.

The Bloomberg Businessweek, alongside the non-governmental organisations Points of Light and National Conference on Citizenship (NcoC), have developed a classification of the most community minded companies in 2012. The “The Civic 50” top includes the top 50 companies of those listed on the U.S. Stock Exchange that have used their resources most efficiently by investing in projects meant to improve the lives of local communities.

The ranking resulted from a conducted research study whose questioned subjects included executives and managers from the CSR and PR departments and governmental relations from the 500 listed companies. The research focused on seven dimensions, as follows:

- the community involvement strategy of the company and the metrics used to evaluate its success;
- involvement of the highest levels of a corporation in community projects;
- participation of corporate departments in program activities and direction;
- community partnerships;
- employee civic growth;
- cause alignment—alignment of causes with core competencies and workforce skills
- transparency of community projects.

Table nr. 2

Top of the first 50 most community minded companies

| Rank | Company | Measurement strategy | Leadership | Design | Community partnerships | Employee civic growth | Cause alignment | Transparency |
|------|-----------------------------|----------------------|------------|--------|------------------------|-----------------------|-----------------|--------------|
| 1 | IBM | 1 | 1 | 3 | 1 | 4 | 2 | 3 |
| 2 | Citigroup | 2 | 2 | 1 | 17 | 2 | 9 | 1 |
| 3 | AT&T | 8 | 3 | 2 | 12 | 10 | 1 | 10 |
| 4 | Aetna | 3 | 4 | 11 | 43 | 21 | 11 | 5 |
| 5 | Capital One Financial Corp. | 5 | 9 | 5 | 26 | 3 | 20 | 9 |
| 6 | Morgan Stanley | 12 | 7 | 24 | 32 | 1 | 8 | 17 |
| 7 | Campbell Soup | 13 | 20 | 7 | 14 | 16 | 19 | 12 |
| 8 | McGraw-Hill | 4 | 21 | 12 | 22 | 17 | 21 | 13 |
| 9 | General Electric | 6 | 13 | 19 | 28 | 11 | 24 | 16 |
| 10 | Hasbro | 10 | 13 | 5 | 13 | 14 | 26 | 30 |
| 11 | Western Union | 11 | 6 | 9 | 9 | 26 | 29 | 40 |
| 12 | FedEx | 18 | 10 | 18 | 4 | 15 | 3 | 42 |
| 13 | Allstate | 14 | 18 | 22 | 36 | 29 | 14 | 8 |

| Rank | Company | Measurement strategy | Leadership | Design | Community partnerships | Employee civic growth | Cause alignment | Transparency |
|------|-------------------------------------|----------------------|------------|--------|------------------------|-----------------------|-----------------|--------------|
| 14 | Microsoft | 9 | 11 | 15 | 27 | 12 | 4 | 48 |
| 15 | Bank of America | 19 | 8 | 16 | 7 | 22 | 6 | 45 |
| 16 | Target | 7 | 5 | 4 | 48 | 37 | 17 | 39 |
| 17 | Intel | 15 | 12 | 14 | 38 | 9 | 30 | 26 |
| 18 | UnitedHealth Group Inc. | 20 | 15 | 8 | 19 | 13 | 25 | 50 |
| 19 | Abbott | 23 | 22 | 38 | 3 | 40 | 12 | 7 |
| 20 | Southwest Airlines | 32 | 16 | 10 | 29 | 5 | 36 | 43 |
| 21 | Pacific Gas & Electric Co. | 26 | 28 | 35 | 16 | 20 | 22 | 13 |
| 22 | Viacom | 44 | 32 | 22 | 2 | 6 | 16 | 45 |
| 23 | Apollo Group | 46 | 37 | 30 | 5 | 24 | 35 | 6 |
| 24 | American Express | 41 | 34 | 27 | 20 | 44 | 18 | 4 |
| 25 | Cummins | 36 | 25 | 12 | 45 | 8 | 39 | 24 |
| 26 | Wal-Mart Stores | 20 | 19 | 28 | 31 | 47 | 15 | 29 |
| 27 | Comerica | 29 | 49 | 21 | 33 | 7 | 33 | 30 |
| 28 | Hewlett-Packard | 22 | 42 | 43 | 10 | 31 | 13 | 23 |
| 29 | Hershey | 17 | 29 | 26 | 47 | 27 | 32 | 36 |
| 30 | Altria Group | 30 | 26 | 28 | 11 | 35 | 44 | 27 |
| 31 | McKesson | 27 | 27 | 44 | 39 | 33 | 27 | 15 |
| 32 | ConAgra Foods | 24 | 35 | 32 | 24 | 46 | 28 | 21 |
| 33 | Raytheon | 42 | 30 | 31 | 30 | 18 | 10 | 45 |
| 34 | H.J. Heinz | 49 | 17 | 16 | 20 | 42 | 38 | 35 |
| 35 | Goldman Sachs Group Inc. | 25 | 36 | 46 | 18 | 25 | 5 | 43 |
| 36 | Spectra Energy | 28 | 38 | 19 | 46 | 23 | 41 | 34 |
| 37 | Freeport-McMoRan Copper & Gold Inc. | 40 | 30 | 42 | 25 | 38 | 7 | 36 |
| 38 | Discovery Communications Inc. | 37 | 47 | 34 | 35 | 18 | 31 | 25 |
| 39 | Dr Pepper Snapple Group Inc. | 33 | 43 | 41 | 15 | 34 | 40 | 10 |
| 40 | Motorola Solutions | 47 | 24 | 39 | 34 | 36 | 42 | 19 |

| Rank | Company | Measurement strategy | Leadership | Design | Community partnerships | Employee civic growth | Cause alignment | Transparency |
|------|-----------------------------|----------------------|------------|--------|------------------------|-----------------------|-----------------|--------------|
| 41 | Devon Energy | 38 | 22 | 40 | 40 | 28 | 49 | 33 |
| 42 | Baker Hughes | 42 | 44 | 36 | 6 | 41 | 47 | 28 |
| 43 | Ameriprise Financial Inc. | 33 | 44 | 32 | 23 | 32 | 50 | 40 |
| 43 | Starbucks | 16 | 39 | 25 | 50 | 45 | 48 | 48 |
| 45 | Harris | 48 | 33 | 49 | 8 | 49 | 37 | 22 |
| 46 | Weyerhaeuser | 45 | 40 | 47 | 49 | 43 | 34 | 18 |
| 47 | Adobe Systems | 38 | 46 | 37 | 42 | 39 | 45 | 36 |
| 48 | Sigma-Aldrich | 50 | 50 | 45 | 44 | 47 | 43 | 2 |
| 48 | Verizon Communications Inc. | 31 | 41 | 50 | 37 | 50 | 23 | 19 |
| 50 | Life Technologies | 33 | 47 | 48 | 41 | 30 | 46 | 30 |

Source: <http://www.businessweek.com/articles/2012-12-07/the-civic-50>

IBM, Citigroup and the telecommunications company AT&T are the first three ranked companies. IBM stood out through a community oriented volunteering programme for employees, called [Corporate Service Corps](#). The programme was launched 5 years ago and involves over 500 employees every year. The most important activities they have developed include the modernisation of the postal service in Kenya and the development of an online education programme in India. Overall, 430.000 IBM employees have logged in more than three million volunteering hours last year. Additionally, top positions include financial institutions such as Citigroup (2nd place), Capital One Financial Corp (5th place) and Morgan Stanley (6th place). They have used their expertise in order to promote financial education across communities. The telecommunications company AT&T ranked 2nd due to the investments amounting to more than \$ 200 million in education and to the involvement of its employees in a volunteering programme for high-school students. Last year, employees have logged in more that 270.000 hours that benefitted the students included in the programme.

Social responsibility practices of romanian companies

Corporate social responsibility in our country is still in its incipient stage, as the main companies to get involved in social projects and allocate important amounts of money are still multinationals. However, there is some confusion between social responsibility and public relations. The main purpose of CSR is to create long term value, as well as a good relationship with the stakeholders. The financial crisis can be an opportunity to review the ethical aspects related to company practices and to rethink the underlying principles of CSR, for social welfare, environmental protection and the overall progress of the economy.

Table nr.3

Sums allocated for social projects by Romanian companies

| Top companies 2008 | | Top companies 2009 | | Top companies 2010 | |
|--------------------|--------------------------|--------------------|--------------------------|--------------------|--------------------------|
| Company | Allocated sum (mil euro) | Company | Allocated sum (mil euro) | Company | Allocated sum (mil euro) |
| | | | | | |

| | | | | | |
|----------------------|-------|-------------------|------|-------------------|------|
| Petrom | 2,62 | Petrom | 2,70 | Petrom | 4 |
| Vodafone Romania | 1,99 | Vodafone Romania | 2,70 | BCR | 2 |
| Holcim S.A. | 0,70 | Transilvania Bank | 0,76 | Transilvania Bank | 1,28 |
| A&D Pharma | 0,31 | Unicredit Ţiriac | 0,30 | BRD | 1,17 |
| Raiffeisen Bank | 0,27 | GlaxoSmithKline | 0,27 | EON Romania | 0,95 |
| Unicredit Ţiriac | 0,25 | Alexandriion Grup | 0,21 | Apa Nova | 0,81 |
| Agricola | 0,24 | Agricola | 0,20 | Unicredit Ţiriac | 0,8 |
| Alexandriion Grup | 0,208 | Mol Romania | 0,18 | Raiffeisen Bank | 0,6 |
| “Lukoil Romania” SRL | 0,20 | IBM Romania | 0,13 | JTI | 0,5 |
| Orange Romania | 0,19 | SC Pasmatrix | 0,09 | Danone | 0,46 |

Source: <http://www.forumuldonorilor.ro/proiecte/top-corporate/44>

The main criterion used in the analysis of Romanian companies was the annual competitions they had organised. One of the events was the *Donors' Top*, where the Donors' Forum has awarded the top 10 companies that have developed CSR activities in Romania. The results were generated after the quantitative analysis of the amounts invested in social projects. Participating companies have provided information on the fields they sponsor, the targeted groups of stakeholders and the CSR instruments they had used. Mention must be made that after 2010, the above quoted website hasn't published such information anymore, thus leading us to believe that this activity has considerably diminished.

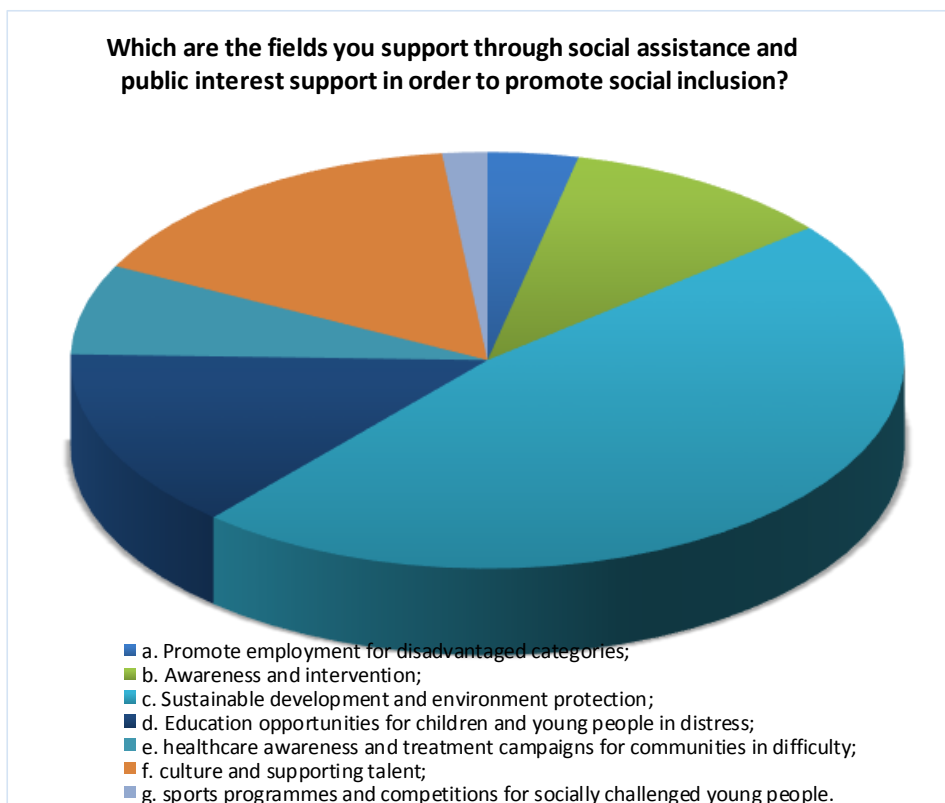
Table nr. 4

CSR events organised by Romanian companies

| Nr. | Event | Brief presentation of the CSR event |
|-----|---|--|
| | <i>Volunteering Month</i> | Orange dedicated September 2013 to corporate volunteering. More than 200 employees have become involved in social causes, helping improve the standard of living of over 2.000 people in 11 communities. |
| | <i>A life can depend on you!</i> | Vodafone Romania has conducted a campaign meant to inform the population about emergency situations. Over 9.000 people have taken part in first aid classes and the investment in the programme amounted to € 57.000. |
| | <i>The health of the children from the Danube Delta</i> | Over 600 children from the Danube Delta have benefited from free medical consults and tests. GSK Romania has supported this health and health education project, by providing over € 62.000 and donations consisting of teaching materials and products. |
| | <i>Each park has its story, 2012</i> | Provident has rearranged playgrounds in the 5 cities where it has subsidiaries, after several public debates during which it directly interacted with approximately 14.000 inhabitants of those cities. |
| | <i>Raiffeisen</i> | The first edition of "Raiffeisen Communities" provided funding of € |

| | |
|--|---|
| <i>Communities2011</i> | 70.000 for 17 small community projects. These have been selected from a number of about 400 projects that have been voted online by more than 60.000 supporters. |
| <i>Gift Matching 2011</i> | UniCredit Tiriac Bank has involved its employees for the 5 th consecutive year in identifying social causes that mean something to them and subsequently organising internal fund raising campaigns to their benefit. The money raised by the employees have been doubled by the bank. |
| <i>Internal campaign to promote the 2% provision</i> | In 2011, Petrom organised an unusual project to promote the “2%” facility, consisting of a wide internal campaign and an NGO fair. All 20.000 plus employees have been informed about the facility and about the NGOs they can redirect it to. |
| <i>Together for everyone, 2010</i> | The 2 nd edition of the Rompetrol programme “ <i>Together for everyone</i> ” funded 20 community projects in healthcare and environmental issues that has helped more than 70.000 people. |
| <i>The V-Days 2010 campaign – Domestic violence alters reality</i> | The Sensiblu foundation conducted the 7 th edition of the “V-Days” campaign in 2010. The campaign focused on a less known side of domestic violence – emotional abuse and the way it can distort a woman’s self-image and her perception on her surrounding reality. |
| <i>Green Olympics</i> | Transgaz conducted the first CSR initiative in 2010, strategically involving the community from its headquarters’ location. The campaign included all the 24 kindergartens, schools and high schools from Mediaş in a number of actions that have strengthened the student’s awareness of environmental issues. |

The study conducted in the FSE funded project “*Partnership for development*” and whose main focus was to identify the behaviour of companies from various economic sectors in social responsibility actions, has helped us identify certain interesting aspects related to the behaviour of Romanian companies as far as CSR is concerned:

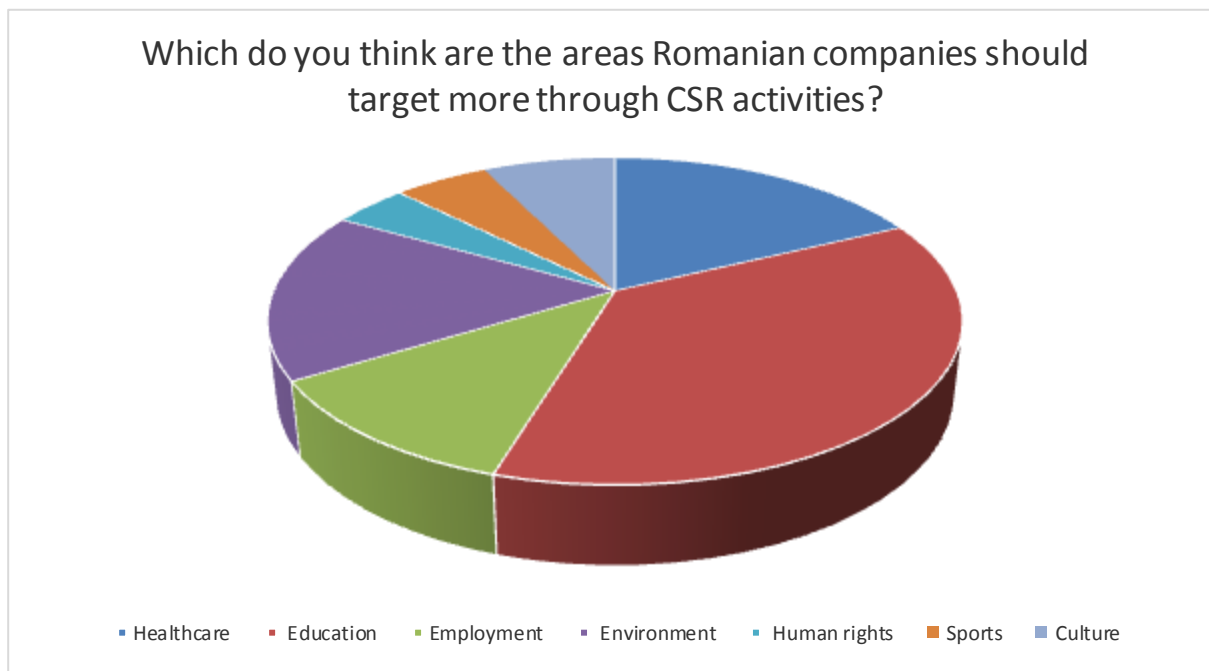


Source: *Study on the involvement of Romanian companies in “Corporate Social Responsibility” actions*, conducted as part of the project “Partnership for development”, funded through the European Social Fund

Note that these companies get involved especially by implementing environment and sustainable development projects, as 47,37% of the respondents pointed out. This majority could be seen as a consequence of the pressures exerted by European and international policies on sustainable development and environmental protection. Part of the respondents intervene through programmes for the development of professional competencies, hospital support, entrepreneurial training, environmental issues awareness and helping children.

Culture, education and aid provided for challenged young people are another intervention axis, after sustainable development projects, in terms of social responsibility actions. Awareness campaigns in healthcare and other priority social issues are less frequent than the ones mentioned above – companies getting involved in such events to an extent of only 8%. The less targeted fields are employment and sports programmes, where only 3,51%, and 1,75% respectively, of companies intervene through social responsibility programmes.

As concerns the question related to the areas Romanian companies should target more – the mentioned research highlights that most companies believe the main intervention areas should be in education, healthcare, the environment and employment. Less companies believe they should get involved in areas such as culture, human rights or sports. One apparent cause for these options could be due to the multiple problems and limitations that have been lately encountered in these sectors.



Source: *Study on the involvement of Romanian companies in “Corporate Social Responsibility” actions*, conducted as part of the project “Partnership for development”, funded through the European Social Fund

Therefore, we can state that social responsibility in Romania rather lacks maturity and has less visible results or well established objectives. The intervention area is quite limited, being mainly directed at those sectors with the most visible presence in the media, such as education, healthcare, environmental issues, and less concerned with employment, culture or sports. In terms of the types of programmes, they particularly focus on charitable events, socially responsible business practices or social marketing. Another aspect that should be mentioned is that Romanian companies have and still do target urban and local level projects, thus proving once again the limitations of these activities in the business sector.

Reports on sustainable development – a new management style for companies

The reports concerning sustainable development, or integrated reporting focuses on identifying a change in the management style and lead to a dynamic and holistic approach of a business activity. Such an approach means that people with various positions, beliefs and employed in different businesses should cooperate and initiate a dialogue that would result in interconnected decisions and a complete picture, with several interrelated performance indicators. The integrated report is like an antechamber that reveals the complete picture and the architecture of the entire house. Afterwards, depending on your interests, expectations and needs, you can access financial information or corporate social responsibility information. Another added benefit is that, beyond the integrating concept, you can better explain what the financial market defines as the “*value of intangibles*”. What is the actual value of the Apple company? It is not the sum of its revenues, but the relationship with customers, product design, the quality and loyalty of the people, involvement in community projects, etc.

The objectives of Integrated Reporting can be summarised as follows:

- Make changes in organisational behaviour thus supporting decision-making and actions that focus on the creation of value over the short, medium and long term;

- To improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital that supports the creation of value on a short, medium and long term;
- Provide a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organization to create value over time;
- Enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies.

KPMG International has recently published a study that evaluates the social investments of large companies. The audit campaign has analysed the reports published during 2012-2013 by 100 companies on a global scale. More exactly, these were the top 10 companies in 10 different industries: automotive, chemicals, finance, food processing, mining and engineering, oil and gas, pharmaceuticals, telecommunications and electronics, transport and utilities.

The study has been conducted as the amounts allocated by these companies to the benefit of communities have significantly increased in the past few years. For instance, if in 2009, companies from developed countries have allocated \$ 281 billion for third world countries, in 2011, their investments amounted to \$ 381 billion, increasing by 35%. Overall, the companies under analysis have invested an average 2,5% of their profit before taxation into social programmes, thus arousing increasing interest in the reporting of such investments.

KPMG professionals have measured the extent to which these companies have reported on the following four types of information:

- *Input*: What is the contribution of the company? Example: donations, volunteers, financial contributions;
- *Output*: What are the direct benefits on the community? Example: number of people who have benefitted from a healthcare programme;
- *Outcomes*: What is the outcome of the programmes? For instance: literacy has increased by 25% for a group of children that have benefitted from an educational programme;
- *Impact*: What is the long term social benefit and the social change created as a consequence of the investment? For instance: how much have the employment chances of a long term education programme beneficiary increased as a result of the newly acquired skills?

The survey shows that most companies have used numerical indicators for the first two types of information: *Input and Output*. A percentage of 93% of the companies have used numerical indicators to report information on donations, number of volunteers and financial contributions. Additionally, 88% of the companies have reported information on the short term direct benefits on the community.

However, for the other types of information, I.E. outcomes and impact, the circumstances are different. Only 30% of companies have published general information on the generated outcome and impact, and only 20% have used numerical indicators to present these results. However, KPMG representatives believe that the assessment of the outcome and the impact is very important for the efficiency and long term consistency of a social programme.

KPMG has also identified the social areas in which companies have invested the most. Thus, most companies invested in Education (49%), followed by those that invested in Healthcare (48%) and Humanitarian Aid (47%). On the opposite side there are areas such as food processing and agriculture.

Conclusions

To conclude with, we would suggest a set of recommendations that allow for a better measurement and reporting of CSR activities. These recommendations can be divided into four main categories: *Strategy, Reporting, Implementation, Monitoring and Assessment*.

- *Strategy*: the recommendation is that any social investment should have a well-defined strategy. The starting point should be the identification of the final objective and the identification of the stakeholders that will benefit from the investment. For the strategy to be a long term one, we recommend aligning social investments with the business objectives of the company.
- *Reporting*: Any effort to report information on social investments should start with the question: “How can a company efficiently communicate on the progress of a social programme?” The use of both qualitative and quantitative information is recommended.
- *Implementation*: Companies should permanently make sure that the investments are in compliance with the already defined strategy.
- *Monitoring and assessment*: This stage should start with the establishment of the monitoring, assessment and data collection processes for all four types of information> Input, Output, Outcomes and Impact.

Corporate social responsibility can positively influence the competitiveness of business entities, as follows (Oprea, L., 2005):

- Improve the products and/or the production processes that guarantee the increased satisfaction of customers and their loyalty;
- Better promotion due to receiving awards, winning competitions and/or publicity;
- Increased employee loyalty and motivation, thus leading to increased creativity and innovative spirit;
- Reaching a favourable position on the market;
- Better relationship with business partners and local authorities, as well as easier access to public funds due to an improved corporate image;
- A more efficient management of human and production resources can lead to reduced costs and increased profitability;
- The competitive advantage resulting from the above leads to increased turnover (sales).

Therefore, globalisation provides companies with various and dynamic opportunities and problems. The central point of the corporate governance structure is the improvement of the ability to access information and the ability to exert control. The core of the corporate accounting structure is to increase transparency from a financial and non-financial viewpoint, which is a function of financial disclosure, governance and frequency of developing audit procedures, credibility and social responsibility. The adjustment to the external environment, global competition and international experience increase as international expansion increases, and these typical situations also accelerate globalisation, as multinational companies must consolidate and improve their corporate responsibility mechanisms in order to meet the increasingly dynamic needs of society.

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