

## **Business Administration and Business Economics**

### **SMEs and Social Responsibility Policies in the Romanian Business Environment**

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**Abstract:** The activity of economic organizations and not only, is based on the contribution of large and diverse socio-professional groups (such as employees, consumers, providers, local communities – stakeholders in one word) whose interests must be respected. When a company initiates successful social responsibility programs at local, regional or national level, these particular programs contribute to its financial success allowing it also the "luxury" of getting involved in "generous" initiatives. In addition to these economic arguments, one must consider the moral arguments in favour of the companies' social responsibility. Competitiveness in this field is real, thus making the companies' visibility to depend on it. Consequently, underestimating their impact can lead to the loss of customers, narrowing of economic activity and difficulties in attracting new customers. The consequences for business are: decrease of the profit, reduced development perspectives, a significant abatement, etc.

**Keywords:** social responsibility; corporate social responsibility; business ethics; best practices

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The activity of economic organizations and not only, is based on the contribution of large and diverse socio-professional groups (such as employees, consumers, providers, local communities – stakeholders in one word) whose interests must be respected. When a company initiates successful social responsibility programs at local, regional or national level, these particular programs contribute to its financial success allowing it also the "luxury" of getting involved in "generous" initiatives. In addition to these economic arguments, one must consider the moral arguments in favour of the companies' social responsibility. Competitiveness in this field is real, thus making the companies' visibility to depend on it. Consequently, underestimating their impact can lead to the loss of customers, narrowing of economic activity and difficulties in attracting new customers. The consequences for business are: decrease of the profit, reduced development perspectives, a significant abatement, etc.

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The globalization of economic problems such as the increased gap between the developed and underdeveloped countries, inflation, environmental pollution, resource depletion and the further preservation of the large areas at subsistence level, have brought to the attention of numerous specialists and international structures, the need for designing a new economic model able to solve at least a part of these issues and if possible others as well (unemployment, education and training, health, political issues). Besides all these problems, the increase of economic competitiveness and companies' profits which operate on the market is an indispensable accessory in nowadays global economy.

The European Union actively supports the approach of the Member States to succeed in asserting a new approach of the relationship between communities and companies working on the national and international markets. The effort of becoming "the most competitive and dynamic economic sector in the world capable of sustaining economic development through better jobs and a better social cohesion" ( according to the target set by the European Council in Lisbon in 2000) represent a major social component of all actors involved on the market. This way, the international and national authorities, public and private companies alongside with other organizations able to engage responsibly are required to relate with each other so that the economic development and social inclusion to correspond to the European moral and cultural traditions especially to the new social standards specific to a model of economic growth and social welfare as envisioned by the EU.

Social responsibility policies in environmental protection is not the exclusive domain of the state in the XXI century, on the contrary, the need benefit from a healthy environment is a sine qua non requirement of all current participants in social activities. Although, individually speaking, the possibilities of expression oneself according to these norms are not absolute and correctly represented, through non-governmental organizations the goals can be achieved punctually. Generally, the state and the society take on the role of instructor by involving themselves in the early education of citizens in order to achieve a sustainable development. Economic growth is usually associated with the terms of development, progress and competitiveness roughly corresponding to people's expectations in most situations, thus generating the illusion of a myth of economic growth which can provide an overall solution to the social and economic gaps of states and communities.

CSR (Corporate Social Responsibility) is a way of understanding the development of any medium and long term business in terms of the in achieving the standards and development of contemporary society. Adopting the CSR principles by the economic actors helps achieving the goals of a sustainable development, and for this end, the states and international bodies have completed a series of criteria in order to explain on the meaning of all what the "desirable corporate behavior in society" is. Companies are now directly ready to cooperate with various local authorities in order to increase the visibility of their power on a market whose standards are constantly changing. In the frame of the organization, companies, in their relation with the employees, are recommended to pay close attention to:

- optimizing the life quality standards of their employees
- ensuring a safe and healthy work environment for everyone involved directly and indirectly in the company's activity

- the specific interests of all parties involved in situations of crisis by restructuring activities responsibly
- minimizing the impact of company's activities on natural resources and especially on the environment

The problem is topical for the companies which operate in the Romanian economy because the achieving of a functional and competitive market economy should be characterized by an increase of economic efficiency and productivity, meaning the disappearance of sectors with low/ medium performance and massive staff dismissal. On the other hand, the professional reconversion of dismissed workforce is conducted with some slowness, many discharged employees putting pressure on the local and central budgets thus redirecting and limiting the potential for new investments and job opportunities. Social responsibility can be perceived as a logical consequence of the obligation deriving from the increased social strength (importance) of a company and the non- correlation of this growth with social responsibility may, ultimately, lead to the loss of this social power and company's decline. Currently, CSR - Corporate Social Responsibility is situated at the intersection point between political, cultural and economic systems. Along the time, a growing number of people with solid academic knowledge stated the idea that companies could no longer be considered purely private institutions, but social institutions. A.B.Carroll suggests that corporate social responsibility defines itself through society's economic, legal, ethical and social demands with respect to business. Similarly, other authors place corporate social responsibility at the border between societal expectations from business and business ethics. There are three main principles according to which managers , but society as well must consider when dealing with the responsible behaviour of an organization:

1. a company's right to exist depends on its responsibility towards the environment;
2. governments can resort to strict laws if businesses do not include in their area social standards;
3. a policy characterized by social responsibility leads to social acceptance thus consolidating the company's viability.

Companies' competitiveness derives not only from their technical and material capabilities, but also by the provided marketing products and services or exclusively by the price and quality relation. Currently, companies must face new challenges in order to be kept in their customers' top choices. Consequently, they are forced to conduct social responsibility programs designed to strengthen their connection with their communities and to reward the faithful customers and not only. Competition is obvious, the economic actors from the market having both for and against arguments which their partners, respectively critics do not hesitate to bring them into discussion. This is precisely because they do want to avoid having their image and market damaged when involved in the unfolding of a a business (employees, suppliers, customers, community, local and central authorities).

Companies need to know, apply and use *best practices*. For instance, companies should support the communities' development they operate in, help in the development of the economic systems through public-private partnerships and not least to protect and encourage environmental protection at local, regional and global level. More and more managers understand that CSR has become a genuinely competitive advantage for every

company due to the given advantages from the communities they operate in and which extensively need the involvement of private partners in the best interest of their members. Through various social practices, every company can improve its business voluntarily in a manner meant to contribute to the community's welfare and environment's protection. Voluntary nature is therefore a feature of any CSR initiatives on the organization made any pressure from the authorities or other governmental organizations are not considered as such. Still have to admit that in many cases the onset of a new responsible approach to society had as a starting point such reproaches of civil society, and beyond. Medium and long term competitiveness of companies that have switched to social responsibility programs has multiplied so that good practices implemented by businesses helped to develop the field itself and to raise standards in business.

Multinational corporations, generally considered as representing the top of the iceberg, and socially responsible, can benefit from of a larger and more generous public, while the public perception of social irresponsibility can result in a boycott or other hostile actions from the part of consumers. The arguments in favour of the sustainable social development should be interpreted by companies as long-term investment in building a safer community life, better educated and more fair, of which all parties involved can benefit from, thus unfolding their activity in a business environment more environmentally and people friendly, more potent and stable. These are serious economic reasons which can be beneficial to the economic agents who assume certain obligations towards different social groups.

Nowadays, the companies' voluntary social involvement represents a model frequently encountered due to a combination of factors, such as: economic globalization, competitiveness, the tendency of resources' depletion, the increase danger of pollution and decrease of the public sector's role. Corporate social responsibility is becoming an increasingly important asset of the business interaction with the society where every economic actor operates in. This term is of interest for both those who apply it in their daily activities and in the academic environment, who in order to create future responsible managers, get involved in its studying. Companies which can prove that they apply social responsibility policies are associated with the economic business elite, be it the EU area or not. According to general opinion, only these ones will resist globalization from the economic field, while the rest will disappear, therefore competitiveness is built on the basis of a cause-effect relation with social responsibility meaning that both generate one each other. Currently, people have become more aware of protecting the environment, of the companies' involvement in the their communities' problems, the way a company achieves its purpose this being due to the fact that the companies are expected more than only products and services quality.

A research report on the balance of social responsibility in 2010, coordinated by a group of experts concluded that the main successful companies from the Romanian market have developed social responsibility programs propelling them in the customer's top choices. According to this study, a characteristic of all analyzed companies highlight that their notoriety is due primarily not to their specific activities, on the contrary, they have become visible due to social responsibility programs, conducted online, widely advertised and which have invested in young people's education and environment protection. With respect to the second criterion, one can remark a certain saturation of the ones already familiar with

the area of corporate social responsibility, though the expectations are still high due to an exponential increase of those interested in. According to the ranking, Petrom got situated on the first place followed by Vodafone, UniCredit Tiriac and Bank Reiffeisen. These companies were far behind the group due to the top managers' decisions who coordinate the activity, meaning the investment in education programs for young people associated with the environment protection; this decision aligns to the standards for social responsibility from the Romanian market and Romanians' expectations, fact which already happens in the EU or the U.S. Other nominations concerned OTP Bank, BCR, URBB-Tuborg, Orange, Rompetrol and Coca Cola. These companies developed social responsibility projects, but their impact at national level was reduced and lacked in effective publicity.

The connection between competitiveness and social responsibility is absolutely relevant only if it is analyzed in terms of the allocated budgets by companies for such projects. A generous budget allocated to a project with high social impact can only be applied by a top company which distinguishes itself through real financial performances. The high impact on society derives from the civic behavior stimulation, generally considered a criterion which needs to be fulfilled by most companies operating on the market. Leaders and opinion makers expect a more extensive involvement in the "development of local communities", fact which can only be achieved by competitive companies.

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