

CORPORATE SOCIAL RESPONSIBILITY- A NEW PERSPECTIVE FOR SMEs IN ROMANIA

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Abstract:

This article presents the theme of Corporate Social Responsibility (CSR), a subject of great interest for the management of organizations and for the scientific research. In the last decade, concerns regarding the advantages of a social responsible behaviour have increased not only for large organizations and multinationals, but for the SMEs field as well, and CSR became an imperative for obtaining and maintaining competitive advantage in the market. This paper aims to highlight the theoretical studies on CSR in SMEs that are still at an early stage and the main tools that support SMEs in Romania to adopt best practices. The theoretical research presented in the article examines the role and contribution of various national and international organizations in order to eliminate the barriers against socially responsible behavior of organizations. Through a case study among SMEs in Dolj are highlighted the main trends and the attitude that romanian SMEs have on Social Responsibility.

Keywords: Corporate Social Responsibility, SME, Sustainability, Sustainable Development, Responsible Behaviour

Introduction

The concept of corporate social responsibility (CSR) has been evolving as a result of both academical concern (Bowen, 1953, Carroll, 2001, etc.) and practical implementation of good practices in organizations. Globalization, international business expansion and the social issues worldwide concerning the human rights, the preservation of ecosystems, pollution and mismanagement of non-renewable resources are factors that contributed to the expansion of CSR scope of understanding. Therefore, corporate social responsibility became a necessity for all organizations that follow the path of sustainable development.

The benefits of social responsibility have mainly attracted the interest of large multinational or transnational organizations, who understood the importance of a good

reputation and good relationships with stakeholders. Also, on the premise that organizational performance increases as the actions of organizations are more accountable to society as a whole, nowadays CSR has become a strategic objective for SMEs.

Micro, small and medium enterprises play a key role in the country development. European Commission reports underline the contribution of SMEs to the EU economy, offering 90 million jobs. Because SMEs represent around 99% of all EU enterprises, sustainable development guidelines and best practices among SMEs became an imperative.

This paper includes a theoretical approach of the academical research studies about the implementation of CSR in SMEs (Jenkins 2006, Murillo and Lozano 2006, Jamali and Mirshak 2006, Perrini et all. 2007). Although still

at an early stage, scientific concerns on SMEs social responsibility increase and offer useful information for the organisations who are interested in adopting best practices.

Social responsibility is still at an early stage in Romania, regarding the promotion and audit reports that are not mandatory (Burlea et all., 2009).

Assuming that the development of a responsible behaviour in SMEs cannot be achieved without broad support from the state authorities and without a strong promotional campaign and information regarding the role and benefits of CSR, the second part of the paper examines the methods and the main instruments that allow SMEs in Romania to build a responsible management based on sustainable development.

Theoretical literature on the implementation of CSR in SMEs

Social responsibility can have many advantages that lead to minimizing business risk and improve performance. Good practices lead to building good market image and brand, attracting motivated and well trained human resources, cost reduction and better access to capital. Innovative products, quality in production management and increasing accountability throughout the life cycle of products and supply chain ensures greater customer satisfaction and good relationships with stakeholders.

One of the reasons why SMEs are not concerned with the adoption of CSR policies is the necessary level of costs for CSR programs. According to ISO 26000 guidelines, the social responsibility of organizations requires a transparent and ethical behavior that leads to sustainable development and takes into account the expectations of stakeholders, issues that do not specifically involve additional costs.

Research on the SMEs CSR strategies is limited, as a result of the fact that CSR is at an early stage of

development in SMEs around the world. Jenkins (2006) conducted a study on a sample of 24 SMEs companies in the UK Britain classified as an example in terms of their social responsibility policy. The research conducted aims to analyze the concept of CSR, the influence of managerial values, the nature of CSR activities carried out by SMEs, the motivation and the advantages of implementing a CSR policy.

The results of the study highlight that the quality of managers, employers with high aspirations, leadership skills and a framework based on the theory of stakeholder information are issues required by SMEs in order to implement CSR. Also, SMEs prefer to have access to information about CSR through business relationships. (Jenkins, 2006)

Perrini et all. (2007) made a comparison between CSR strategies of both large companies and SMEs, focusing on the factors that influence the behavior of socially responsible organizations. The study conducted on a sample of 3680 organizations from Italy has shown that, unlike SMEs, large firms are more focused on the implementation of formal CSR strategy. The research results are based on a number of reasons that distinguish SMEs from large organizations such as: poor use of CSR instruments, less visibility in the media or in the community, scale economies, limited communication of their organizational norms and values and increased competitiveness on the market (Graafland et all, 2003).

Murillo and Lozano (2006) propose an analysis of social and environmental practices within catalan organizations, aimed to formalize social responsibility policies for SMEs. The study shows several barriers in understanding CSR by SMEs and the deficiencies to communicate social responsibility to stakeholders and emphasizes on employer's personal

values in implementing responsible practices. The authors consider that the development of a responsible competitiveness is a necessity for business.

The degree of implementation of CSR in the organization depends on the level of state development. Jamali and Mirshak (2006) analyse the level of understanding and awareness of CSR in Lebanon, based on a theoretical framework that synthesize Carroll's (1979) and Wood (1991) theories. The selected sample consists of eight national organizations or subsidiaries of multinational organizations and highlights the limited degree of implementation of CSR in developing countries. The research shows that application of CSR policies in developing countries involves a major change of the traditional management and can not be achieved without synergies and collaborative effort from the public and private sector and NGOs.

The importance of promoting CSR by the government and the establishment of partnerships of SMEs has been highlighted by other larger studies (Singh et all., 2006). Voluntary CSR policies in SMEs can be a challenge, difficult to overcome without support from other organizations. Singh et all (2006) showed that the adoption of CSR practices in SMEs deliver growth and market opportunities. The research involves MNCs and SMEs from 6 countries in developing countries (Brazil, Mexico, Ghana, Zimbabwe, Indonesia and Vietnam), in different geographical regions (Latin America, Africa and South East Asia). The analyzed sample highlights a trend of partnerships between SMEs and multinational that offers benefits to both parties. Therefore, SMEs are able to access information, technology and financial capital, which would not have been obtained in the absence of a proper national CSR legislation.

Social Responsibility in SMEs of Dolj County

The purpose of this case study is to analyze the perception of the concept of SR and barriers that hinder the development of social responsibility in the Romanian SMEs.

The research method is quantitative and it is consisted of collection and processing of information through questionnaires. The sample is made of 15 SMEs operating in the Dolj county, Romania, within different industries. The SMEs have different sizes: micro enterprises (with fewer than 10 employees), small (between 10 and 50 employees) and medium-sized enterprises (between 50 and 250 employees). The number of respondents varied in proportion to the size and organization and summarise 34 employees. Data processing was performed using SPSS Statistics 17.0.

The questionnaire contains information about the organization and respondents: position, sex, education level and age of respondent.

The questionnaire is addressed to both people in leadership positions and employees in executive positions within the chosen organizations. Thus, 38.2% of respondents have a management position and 61.8% are subordinates employees in organizations. The largest share is represented by women, with a rate of 55.9%. The level of training in an educational institution varies across respondents: 55.9% have a diploma from a higher education institute, 23.5% have high-school education and only 20.6% have attained an advanced university degree such as MBA or PhD. The prevalent age among of respondents is between 30 and 40 years and represents 41.2% of all respondents. 29.4% of respondents are aged between 40 and 50 years, 14.7% are over 50 years old, 11.8% from 20 to 30 years and only 2.9% are less than 20 years old.

Of all respondents, 26.5% are employees in micro-organizations (with

less than 10 employees), 38.2% respondents are employees in small organizations and 35.3% of respondents belong to medium organizations (employee no. between 50 and 250 employees). In the sample set, 22.69% of respondents perceive social responsibility in terms of sustainable development of the organization, that is the voluntary use of natural resources without leaving a negative impact on future generations. 21.63% of respondents understand social responsibility as a means for organizations to get involved in the

community and to contribute to a cleaner environment. 19.21% of respondents understand the role of stakeholders as part of social responsibility organization and 17.1% include ethics as a key part in defining the organization's social responsibility. Only 11.35% believe that the SR is an essential means of PR and marketing. The smallest share, 8.2%, defines social responsibility as a philanthropic activity, donation or sponsorship activity (Figure 1).

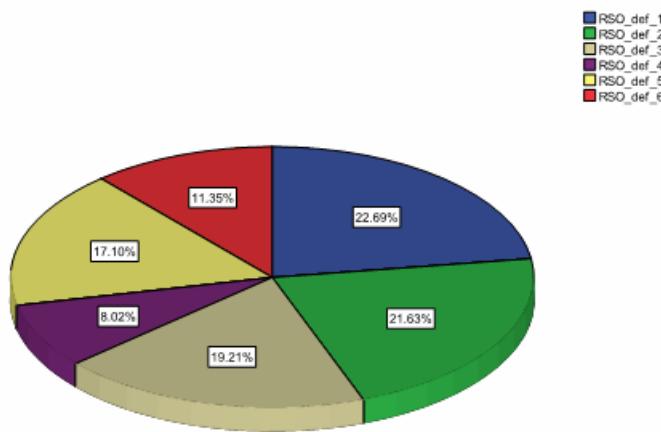


Figure 1. The perception of the SMEs employees in Dolj County regarding the definition of Social Responsibility

In Table 1 are presented six types of statements found in literature or in practice used by organizations in order to define social responsibility. Each definition is based on six different variables that reflect the social side of

responsibility practiced by organizations: sustainable development, environment / community, dialogue and effective relationships with stakeholders, philanthropy / charity, ethics and PR/ Marketing.

Table 1
Definitions and domains of Social Responsibility

Definition no.	Definition of social responsibility	Domain
RSO_def_1	RS is the voluntary actions of organizations regarding the use of natural resources and the protection of the environment in order not to affect the future generations	Sustainable development
RSO_def_2	RS is the voluntary way of organizations to contribute to a better society and a cleaner environment	Environment / community
RSO_def_3	RS is the good communication and networking with stakeholders (employees, suppliers, customers, community partner organizations, NGOs, State etc.)	Dialogue and effective relationships with stakeholders
RSO_def_4	RS is a work of charity, donation, sponsorship	Philanthropy / charity
RSO_def_5	SR requires the implementation of a code of ethics and conduct	Ethics
RSO_def_6	SR requires social projects in order to improve and promote the image of the company	PR/ MKT

The main statistical indicators for six types of definitions of social responsibility are presented in the table below (Table 2).

Table 2
Statistics regarding the definitions of Social Responsibility

Statistics	RSO_de_f_1	RSO_de_f_2	RSO_de_f_3	RSO_de_f_4	RSO_de_f_5	RSO_de_f_6
N	Valid	34	34	34	34	34
	Missing	0	0	0	0	0
Mean	4.4118	4.2059	3.7353	1.5588	3.3235	2.2059
Std. Error of Mean	.14697	.13203	.16519	.14124	.18749	.26629
Median	5.0000	4.0000	4.0000	1.0000	3.0000	1.0000
Std. Deviation	.85697	.76986	.96323	.82356	1.09325	1.55270
Variance	.734	.593	.928	.678	1.195	2.411
Skewness	-.937	-2.073	-.723	1.357	-.405	.822
Std. Error of Skewness	.403	.403	.403	.403	.403	.403
Kurtosis	-.966	8.313	-.307	1.062	.145	-.929
Std. Error of Kurtosis	.788	.788	.788	.788	.788	.788

The Skewness indicator shows that the distortion is negative for all definitions of social responsibility, except in the case definition 4 and 6 where the distortion is positive.

Distribution is flat for all RS definitions except the definition 2, which is worth 8.313 Kurtosis indicator (> 3) so it has a sharp distribution.

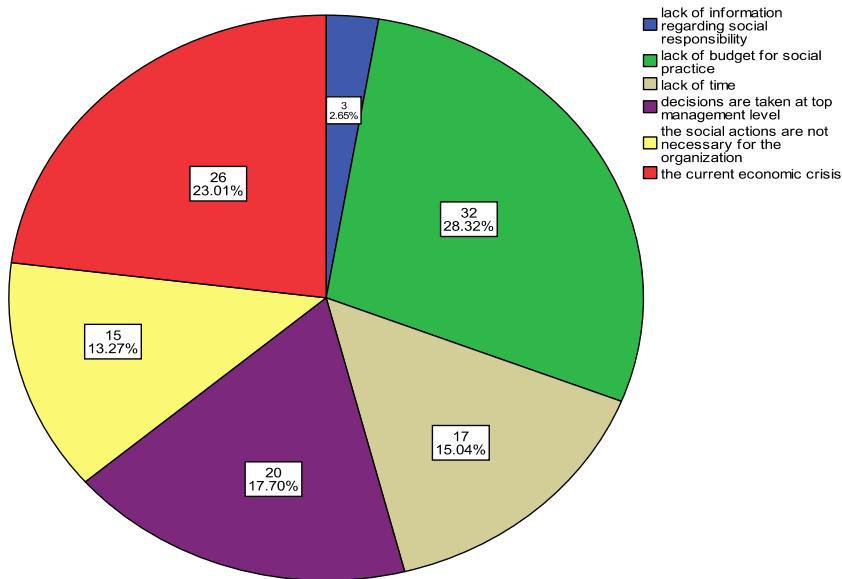


Figure 2. The perception of the SMEs employees in Dolj County regarding the barriers in adopting a Social Responsibility policy

The research carried out shows that the main factor impeding the development of social responsibility in SMEs is the lack of budget for social practices, 28.32% of respondents believe that lack of financial resources is the main barrier for implementation of social responsibility, and 23.01% believe that the economic crisis reduces the chances of development of social

practices. 15.04% of employees stated lack of necessary time in order to be involved in social responsibility activities. Only 13.27% of respondents argue that social practices are not useful for the organization. The lowest percentage of 2.65 % complain about the lack of information regarding social responsibility. (Figure 2)

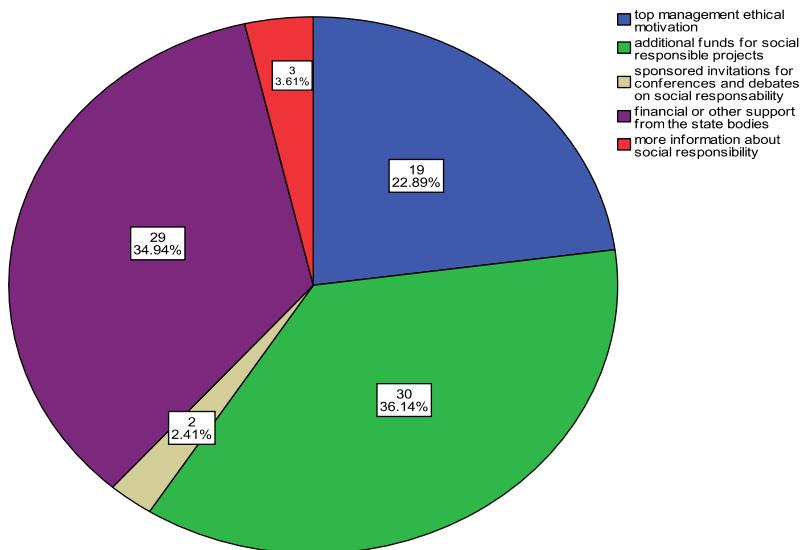


Figure 3. The perception of SMEs regarding the required solutions to implement Social Responsibility

The analysis of the solutions proposed by SMEs reflect the financial problem facing most organizations today. Thus, 36.14% of respondents believe that obtaining additional financing is the most appropriate method to enhance good practice in their organizations. 34.94% of respondents believe that financial or another type of government support would be an appropriate solution for implementing social responsibility within organizations. Ethical motivation of the top management (22.89% of respondents) is another important aspect that can underpin the development of best practices in organizations in Romania. Only 3.61% of the respondents considered that more information about SR would help increase the level of implementation and 2.41% of employees who answered the question felt that participation in sponsored conferences and debates is another solution for organisations to be more social-responsible (Figure 3).

The limits of the research are represented by the small number of organizations that are included in the study. The lack of representativeness of

the SMEs at a county lever makes it is impossible to generalize the results of the study. However, the study can be considered a first step in an extensive research in order to reveal the trends and the reality of the implementation of social responsibility and best practice in the romanian SMEs.

We conclude that, following the advertising campaigns and the involvement of various national and international bodies during the last years, the role of social responsibility has became known among SMEs in Romania. Social responsibility is mainly understood as a means of sustainable development for organizations or a way of community involvement through social and environmental projects, and less as a means of promoting the image of the organization or for philanthropy.

The study shows that lack of financial resources and problems arising from the economic crisis are the main obstacles blocking the social initiatives of SMEs in Dolj. Solutions that SMEs tend to show are the establishment of additional funds for social projects, but also an increase

regarding the ethical motivation for

CSR Support for SMEs in Romania

Social responsibility is supported and promoted both globally and locally by various international organizations in the last decade. European Union, through the Global Compact project and the International Organization for Standardization (ISO) that has developed ISO 26000 are examples of initiatives that have encouraged businesses to adopt best practice policies for sustainable development of organizations.

European Commission, the European Union's executive body, plays a pioneering role in promoting social responsibility among SMEs in Europe (Table 1). Gunter Verheugen, European Commission Vice-President stressed the importance of CSR for SMEs development in the conference project

managers of organizations.

supported by European Association of Craft, Small and Medium-sized Enterprises (UEAPME), July 2008: "SMEs are the beating heart of Europe, both economically and socially... Although the terminology of CSR may be new to many SMEs, the concept of behaving responsibly and contributing to society is not. But more can and should be done."

In 2006-2008, the European Commission conducted 14 programs with a budget of 3 million euros, achieving considerable results in over 3,000 SMEs. Informational programs consisted of three training modules for business consultants, 11 country surveys and analysis, 300 seminars and other events, 370 case studies on CSR in SMEs etc. The project included partnerships with 75 organizations and the contribution of 450 other organizations.

Table 3

Areas of initiative to promote CSR in SMEs
a. Training business advisors
b. Promoting CSR in the supply chain by large organizations
c. Promotion of CSR as a means of innovation for SMEs
d. Promotion of CSR as a means of competitiveness for SMEs
e. Developing industrial clusters Dezvoltarea de sectoare industriale based on geographical proximity and common objectives for SMEs
f. Promotion of CSR in the education field
g. Promotion of CSR through inspirational examples of other SMEs
h. Improved baseline data about CSR for SMEs
i. Practical CSR guides for SMEs

*Source: Results of the European funding programme "Mainstreaming CSR among SMEs", 2006-2008
http://ec.europa.eu/enterprise/policies/sustainable-business/files/csr/documents/mainstreaming_csrsmes_summary_en.pdf*

European Commission and strategic partners such as Chambers of Commerce of the Member States, education and research institutions or associations and consulting organizations offer the necessary support and practical information to implement CSR in SMEs.

The European Commission has conducted training sessions on the implementation of CSR in SMEs, through experts of the EU countries

Chambers of Commerce. The initiative was supported by institutions such as The Institute of Business Consulting (UK) and the Chamber of Commerce Maribor (Slovenia).

The implementation of CSR in the SME can be facilitated through buyer-supplier partnerships which stimulates competitiveness and sustainable development. Thus, the European Commission establish guidelines in order to stimulate the big companies to

require maximisation of the results of buyers and suppliers.

Social responsibility is a prerequisite for enhancing innovation and achieve value for SMEs. Research Institute for SMEs in Austria and partners from Finland, Germany, Norway, Poland, Romania and Spain have shown that there is a correlation between CSR and competitiveness of SMEs.

For 2012, the Commission proposes consultancy activities to SMEs and build a human rights guide for SMEs, in partnership with organizations and other stakeholders.

In Romania, the social responsibility of organizations is yet to be known and understood in all its significance. Nevertheless, the economic problems in recent years have led to the need to change the traditional corporate management into a management based on sustainable development.

Organizations in Romania started to focus on ways to bring a positive contribution to the communities where they operate through social development projects, foundations and philanthropy, in areas such as sports, art, culture, environment, human rights etc. The care for the environment and their employees and building good relations with stakeholders are other key issues that arouse the interest of organizations in Romania in recent years.

The initiators of social responsibility in Romania are large multinationals organizations, which have adapted standards promoted in other subsidiaries that operate in the developed countries (Popa, 2010). Still,

SMEs face difficulties in regarding their communication and transparency policies and most of them are oriented on profit maximisation on a short term and do not focus on a long term sustainable development.

Encouraging SMEs to adopt CSR policies was made by various bodies, an example of this kind is The Royal Norwegian Society for Development (Norges Vel), and the Association for Implementing Democracy (AID) that developed in 2011 a practical guide regarding the implementation of ISO 26000 standard for SMEs in Romania.

The support for social responsible behaviour in Romanian organizations has become a priority not only for NGOs but also for the authorities. On 14 September 2011, the Government approved the National Strategy for the Promotion of Social Responsibility from 2011 to 2016, a national strategic project that introduces principles, objectives and the appropriate measures to implement CSR by all types of organizations: private companies, NGOs and public authorities.

The strategy aims to increase awareness about the benefits that organizations can obtain if they implement best practice in their activities (Table 2).

The general and specific objectives described by the strategy (economic, financial, social, environmental and education and research) are set to boost the involvement of public authorities in implementing and promoting social responsibility and aim to achieve clear outcomes and results.

Table 4

Results of the National Strategy for the Promotion of Social Responsibility 2011-2016

- a. Counseling services available to private companies on the application of the concept of CSR in Romania
- b. Efficient and equitable pension funds and social insurance
- c. Periodical evaluation of the lever of CSR in Romania
- d. Promotion of CSR by the Ministry of Economy, Trade and Business by funding from structural funds
- e. Sustainable CSR Research
- f. Concept of social responsibility integrated into curricula in the areas of economics, management and business and professional training
- g. Green Procurement in the public sector (including state-owned companies)

*Source: The National Strategy for the Promotion of Social Responsibility 2011-2016, <http://www.sgg.ro/nlegislativ/docs/2011/05/2x4bdfjnwskv89h17pzq.pdf>
site accesat la 19.01.2012*

The Government involvement in the promotion of social responsibility is an imperative for business in Romania. The Ministry of Economy, Trade and Business Environment aims to increase the transparency and ethics in the management of pension funds and social insurance, to attract external funding in order to support CSR and organisational actions in areas such as human rights, equality, women's rights, environment, community projects etc. The National Strategy for the Promotion of Social Responsibility 2011-2016 provides expert advice to SMEs that are interested in CSR, promotes the European and international standards inconurător environmental, labor rights, health and other social issues, and encourages research and education.

The support of social policies in SMEs is also a concern of the United Nations Industrial Development Organization (UNIDO), a subsidiary of United Nations which aims to develop the industrial environment in developing countries and economies in transition. Through the Responsible Entrepreneurs Success Program (REAP), UNIDO provides the necessary platform for implementation of good practices in SMEs, clarifying the connotations of the term CSR and other

aspects of management and economic, social and environmental organisational reporting based on specialized software. The program is built on internationally recognized information sources such as the 10 principles of UN Global Compact and ISO 14001, SA 8000, or OHSAS 18001 and its main UNIDO objectives are the creation of experts on CSR, of social entrepreneurship in SMEs and application of best social, environmental and economic practices.

Stimulation of CSR implementation in SMEs is facilitated through projects that encourage the Romanian companies to develop social partnerships, developed by March 2013, seeking advice and training managers interested in applying best practices in organizations and develop a methodology specific to the Romanian. The project is co-financed by European Social Fund through POSDRU 2007-2013, in partnership with the United Nations Development Programme (UNDP) and the Agency for Implementation of Projects and Programs for SMEs (AIPPSME) and the beneficiary - National Association of Exporters and Importers of Romania (NAEIR).

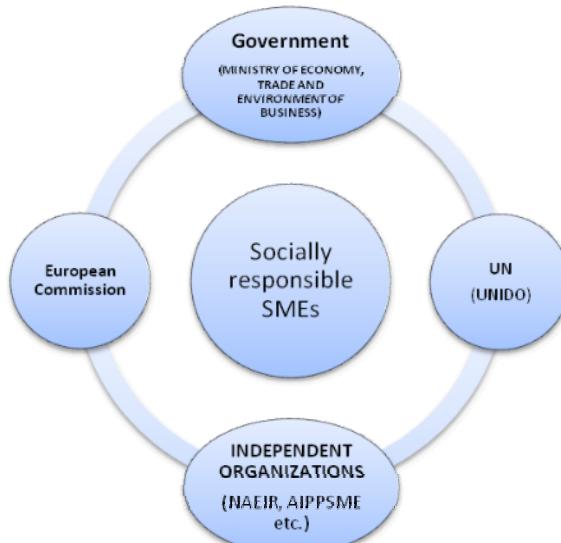


Figure 4. Organisations that offer Social Responsibility support for SMEs

Recent years have led to an increase in supporting social responsibility projects for SMEs by various organizations and bodies (Figure 1). Promoting sustained social responsibility policies can provide several benefits to SMEs in Romania, such as increase of productivity by reducing operational costs and better risk management and improved competitiveness in the international market by building a better image among stakeholders.

Conclusions

The need to implement best practices in SMEs is not only a concern of international organizations like the European Union or the United Nations, but has become a strategic governmental objective, as well. SMEs represent the main tool to boost the economies of the developing countries, therefore building a sustainable development platform for SMEs can bring economic growth and stability.

This paper presents a theoretical summary of the main ways to support sustainable development for small businesses in Romania. It takes regular surveys to show the degree of responsiveness and efficiency of SMEs in national implementation of proposed strategies.

Social responsibility has become necessary not only for large organizations but also for local suppliers. In the context of existing competition and given the economic fragility, SMEs in Romania must adopt responsible behavior, adapted to European standards, in order to maintain their position on the international and local markets.

Many SMEs in Romania operate responsibly, without having a clear theoretical knowledge regarding CSR. Therefore, actions to increase awareness of good practice through support received from national and international organizations are positive premises of sustainable development for SMEs in Romania.

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