

## OVERVIEW OF THE STATE OF CORPORATE SOCIAL RESPONSIBILITY WITHIN MULTINATIONAL COMPANIES

CODRUȚA DURA, MIHAELA GHICAJANU \*

**ABSTRACT:** *In the near future, multinational companies should play a crucial role in supporting and developing a responsible corporate behavior from social, as well as ecological point of view, within the globalization framework. Thus, the process of globalization and liberalization of markets, of goods and services, must be accompanied by the real progress towards an effective system of global governance, with its own social and environmental dimensions. The paper dwells upon the diagnosis of the current state of corporate social responsibility within the international business environment, substantiated on the basis of a study carried out in 2010 by the American scientific and professional organization Business for Social Responsibility (BSR).*

**KEY WORDS:** *corporate social responsibility (CSR), sustainable business, multinational companies, responsible industries, return on investment (ROI) of CSR, business environment.*

**JEL CLASSIFICATION:** *M14, F23, F64*

### 1. INTRODUCTION

Definitions of corporate social responsibility (CSR) have appeared in the literature in the late 1970s, and the common idea that can be inferred from most approaches is that, regardless of the economic-financial performance, no company can afford to take action against society (Băleanu, et al, 2011).

One of the best known definitions of CSR belongs to A.B. Carroll (1979, 1983, 2010) who defines the responsibility of any kind of economic organization in relation to the four main areas: economic, legal, ethics and philanthropic (or charitable) (Dura & Isac, 2012b).

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\* *Assoc. Prof., Ph.D., University of Petroșani, Romania, [codrutadura@yahoo.com](mailto:codrutadura@yahoo.com)  
Lecturer, Ph.D., University of Petroșani, Romania, [ghicajanumihaela@yahoo.com](mailto:ghicajanumihaela@yahoo.com)*

First of all, any company aims to produce goods and/or services desired by individuals and to sell them for a profit. Thus, Carroll defines the *economic* business responsibility which is the starting point of any subsequent request. Secondly, just as the company expects an economic operator to produce profit as a result of selling goods and services, they are also expected to comply with the law along this process. This is the *legal* responsibility of the company. The following two types of responsibilities, the *ethical* one and the *discretionary/philanthropic* one are characterized by the fact that they specify a set of expectations that go beyond the legal system. The *ethical responsibility* incorporates social expectations regarding the moral rules adopted by corporations. The *philanthropic responsibility* refers to the commitment of corporations to contribute to the improvement of the quality of people's life in the modern society (Dura & Isac, 2012b).

The four types of responsibilities make up the concept of *total corporate social responsibility*, and in order to give the public an image as close to reality as possible, these dimensions must be taken into account and must be complied with simultaneously (Carroll & Shabana, 2010).

The Romanian business environment took over and developed relatively recently the concept of corporate social responsibility (CSR), and this was achieved through multinational companies who had the merit of introducing new practices and activities in this field of activity. This phenomenon was possible mainly after the year 2000, when many of the multinationals started to apply in Romania, the principles and practices of corporate social responsibility (CSR) as an example that is worth following by other Romanian companies as well (Săvoiu & Čudanov, 2010).

The evaluation of Corporate Social Responsibility in multinational companies uses as a benchmark the study released by *Business for Social Responsibility* (BSR) and *GlobeScan*, in the paper "*Sustainable Business Survey for 2010*" (State of Sustainable Businesses 2010), published on November 3<sup>rd</sup>, 2010. The study was carried out during the period September 6<sup>th</sup> – 24<sup>th</sup>, 2010 on a representative sample of 334 professionals (Manager or below 54%; Vice President or above 14%; Director 24%; other 8%) of the member organizations of the Business for Social Responsibility (BSR) and has sought to identify and assess the current status of corporate social responsibility and sustainable businesses. In terms of the objectives of the study, the terms "corporate social responsibility" and "sustainability" have been used as synonyms (Iamandi, 2010). The sample population was made up of representatives of the business environment from North America (51%), Europe (25%) and other regions (24% Asia-Pacific, Africa, Latin America).

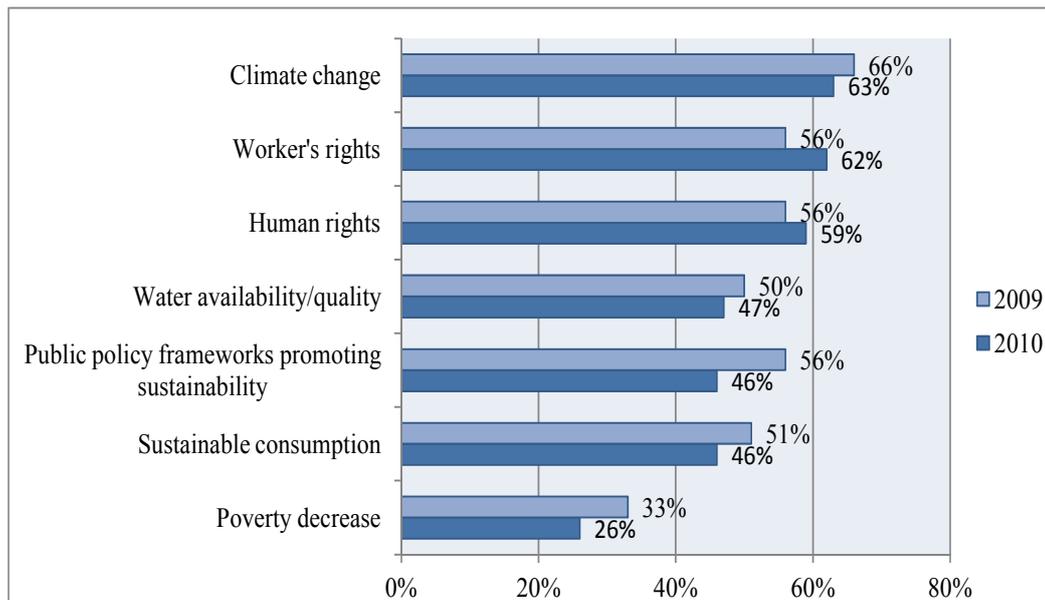
The survey intended to sum up five types of information: the most important leadership challenges; the main aspects of corporate social responsibility: CSR priorities, trust building, public confidence in responsible businesses, the most important actions in the areas of confidence building in the business; a group of information regarding climate changes in reference to the priorities of the strategy to reduce carbon emissions and climate challenges of sustainability; the evolution and profitability of corporate social responsibility programs.

## 2. EVALUATION OF CORPORATE SOCIAL RESPONSIBILITY WITHIN MULTINATIONAL COMPANIES

We shall focus below on the aspects related to the concept of CSR and the current state of its implementation within global businesses.

An initial question in the questionnaire, which was the basis of the research, referred to *the priorities related to CSR for next year*, and the responses indicated the fact that the climate change (63%) and the rights of the employees (62%) would focus primarily on corporate efforts in the field of sustainability in the next 12 months. Other priorities associated with the CSR and mentioned in the responses dwelled upon the following areas: human rights (59%), availability and quality of water resources (47%), political framework for the promotion of sustainability (46%), sustainable consumption (46%) and the reduction of poverty (26%) (BSR/GlobeScan, 2010).

It is worth mentioning that a more recent study undertaken by *Business for Social Responsibility* in 2012 highlights the fact that these priorities have changed as follows: the first place was taken by the human rights - 66%, the second belongs to the worker's rights - 63% and the third place was occupied by the climate change - 61% (BSR/GlobeScan, 2012).



Source: BSR/GlobeScan, *State of Sustainable Business Poll*, San Francisco, 2010

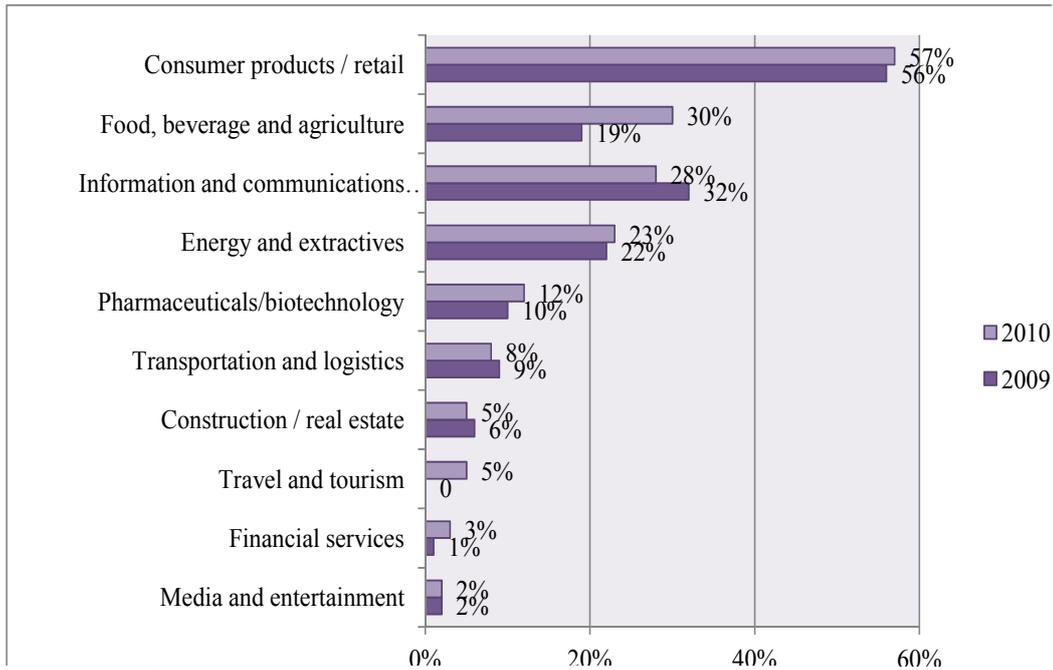
**Figure 1. CSR priorities in during the period 2009-2010**

As regards *the identification of the most responsible industries in 2010*, the answers provided by the sample of companies have led to the following distribution (figure 2):

- there were three industries that had been the most responsible on the market in recent years in terms of their involvement in sustainability

aspects; these are the consumer products/retail industry (57%), food, beverage and agriculture (30%), information technology and communication (28%).

- at the opposite side, we find the least responsible industries in 2010: tourism and travel (5%), financial services (3%), and media and entertainment (2%).



Source: BSR/GlobeScan, *State of Sustainable Business Poll*, San Francisco, 2010

**Figure 2. The most responsible industries at global level (2009-2010)**

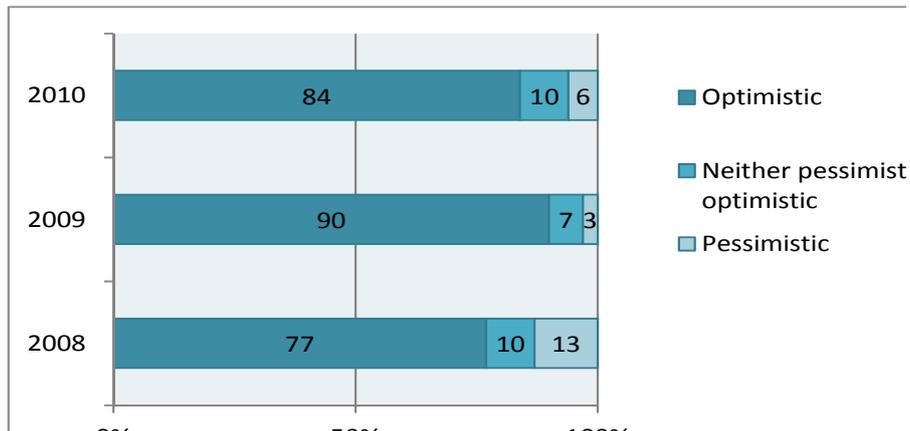
Another question included in the survey intended to assess the degree of optimism/pessimism as regards the availability of global companies to include CSR as part of their core strategies for the next five years.

Thus, for the year 2010, over 8 out of 10 respondents (i.e. a percentage of approximately 84%) are somewhat optimistic or very optimistic concerning the implementation of sustainable business practices within the corporate operations and strategies for the next five years, which represents a slight decrease from the 90% who felt the same thing in 2009. As compared to the percentage for the year 2008 - namely 77% - the situation certainly improved in 2010 (Figure 3).

As regards the number of respondents who are very optimistic concerning the adoption of CSR practices, we found again a slight reduction (from 26% in 2009 to 19% in 2010), probably due to the limitation of financial resources available to the companies under the conditions of economic crisis.

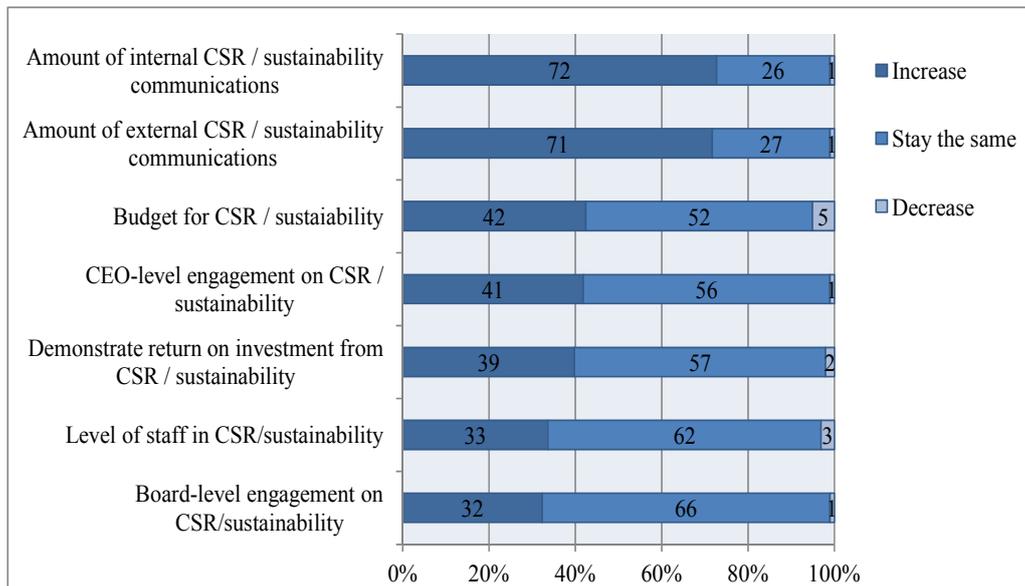
As regards the amendments forecasted for the following year within the framework of the various CSR approaches, a series of seven relevant programs were

analyzed in this respect. The results indicated the fact that most of those surveyed expected an increase in one of the two key areas of corporate CSR programs, namely in internal and external communication regarding these programs (estimates are of 72% and 71% in the second case) – Figure 4.



Source: BSR/GlobeScan, State of Sustainable Business Poll, San Francisco, 2010

**Figure 3. The degree of optimism/pessimism regarding the implementation of CSR in the core strategies of global companies for the next five years**



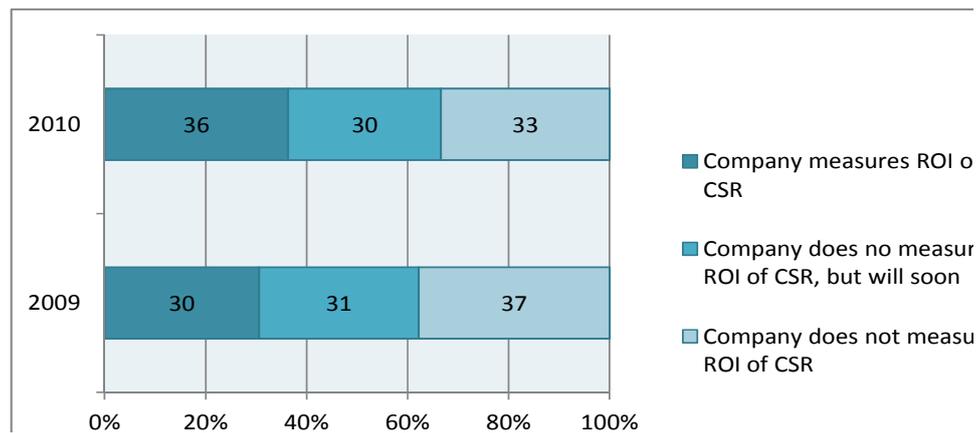
Source: BSR/GlobeScan, State of Sustainable Business Poll, San Francisco, 2010

**Figure 4. Estimated changes within the CSR programs of global companies for the following year (2010)**

For the other domains – top-management involvement in supporting and promoting CSR, the budgets, the number of employees to support the company's CSR efforts – predictions based on the sample of respondents indicate a tendency of stagnation. The overwhelming majority of those interviewed (a rate of 94%) expects that the budgets for CSR programs to be maintained at approximately the same level or to increase.

*Analysis of the return on investment (ROI) of corporate social responsibility programs* aims at the extent to which companies assess, at present, the financial benefits derived from the involvement in issues of CSR. In 2010, the majority of respondents (66%) reported that the business organizations for which they work or they run either measured or intend to measure soon the profitability of CSR programs carried out (this percentage is increasing as compared to the 61%, related to the previous year, 2009) (BSR/GlobeScan, 2010).

Figure 5 shows however that only 36% of the inquired companies actually measure the profitability of CSR programs, which has led to the necessity to explore the reasons why this indicator is not quantified yet at the level that would be required.



Source: BSR/GlobeScan, *State of Sustainable Business Poll*, San Francisco, 2010

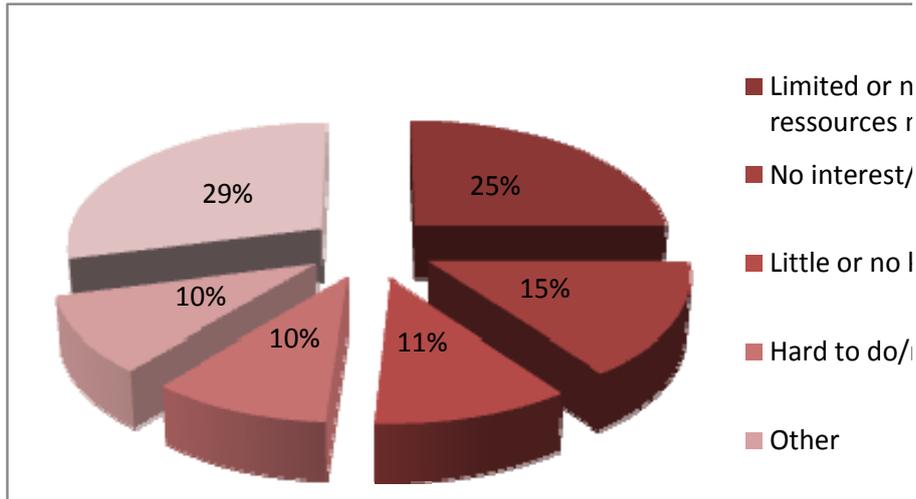
**Figure 5 Actual involvement of companies in measuring ROI of CSR programs**

Figure 6 reveals the most frequent reasons for which companies do not assess ROI of CSR programs yet.

The lack of resources is the most frequently mentioned reason (25% of the total of responses), followed by a low interest for such an approach (15%) and the lack of knowledge regarding the implementation (11%).

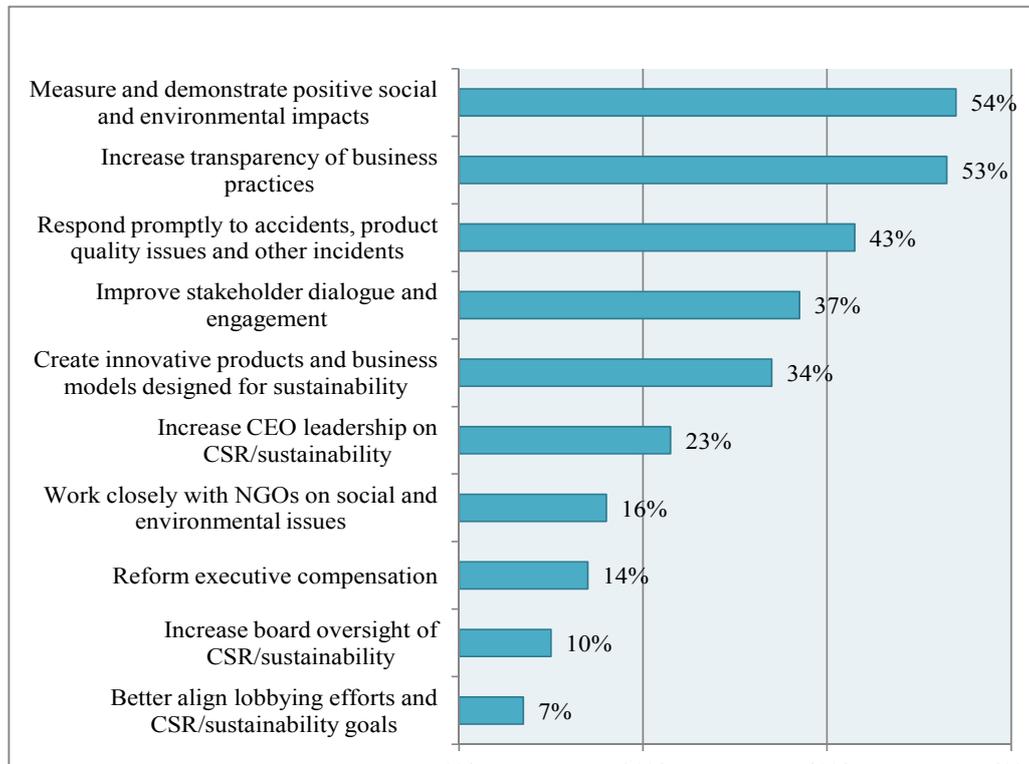
With regard to public confidence in the responsible businesses, the survey showed an overall decline of respondents. Therefore, corporate measures were analyzed in order to enhance public confidence in the business sector. According to the responses of those interviewed, companies should undertake two main actions to regain public confidence which was with the current economic crisis: demonstrating the positive impact in social and environmental terms (54%) and increasing the transparency of business practices (53%). Moreover, with a lower frequency, the

following issues have also been mentioned: prompt and effective response to accidents, quality issues and other possible incidents (43%), improving dialogue and commitment of all stakeholders (37%), creating innovative products and business models to enhance sustainability (34%), increasing the involvement of top management in CSR activities (23%), close cooperation with NGOs for solving social and environmental issues (16%) – Figure 7.



Source: BSR/GlobeScan, State of Sustainable Business Poll, San Francisco, 2010

**Figure 6. Reasons for which ROI of CSR programs is not evaluated**



Source: BSR/GlobeScan, *State of Sustainable Business Poll*, San Francisco, 2010

**Figure 7. Measures to be taken in order to strengthen public confidence in the business environment (2010)**

### 3. CONCLUSIONS

The analysis of the main results of the survey allows highlighting the following aspects (Iamandi, 2010):

- ✓ The approach regarding the inclusion of CSR within the business strategies of companies is a particularly optimistic one. Optimism regarding the strategic importance of CSR demonstrates the awareness of the role businesses may have in dealing with major global challenges. Most of those polled expected to increase their activities in the fields of CSR;

- ✓ Reassessing and strengthening public trust in business organizations requires positive impact at the level of society and transparency for the sustainability of business organizations. Companies should take two categories of measures to regain the public trust which was lost as a result of the economic crisis: demonstration of a positive social and ecological impact of CSR activities and increasing the transparency of business practices; in addition, the consumer products industry is the market leader in the field of social responsibility in recent years;

✓ Forecasts regarding the budgets allocated to CSR are also optimistic: 84% of those polled considered that these budgets will remain at the same level or will increase in the years to come;

✓ Return on investments related to the programs carried out by companies in the field of CSR is already measured or to be measured in the near future by most companies. As an evidence of the financial benefits that CSR can bring, it will certainly strengthen public confidence in the business conducted by SMEs as well, at global level.

The main conclusion of our study is that the vast majority of companies are considering, nowadays, the transformation of corporate social responsibility/sustainability in one of the main priorities on the agenda of their business.

#### 4. ACKNOWLEDGEMENT

The paper represents an output of the research activity carried out by authors during the international project: COST 281/ 2009 Brussels, Action IS0905 - *The Emergence of Southern Multinationals and their Impact on Europe*.

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