

# The Road to Sustainable Development. The Case of Romania

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## *Abstract*

*Corporate Social Responsibility (CSR) has become an important concept in the past three decades for any company or entity who wishes to maintain competitiveness in their respective sector, given by its large array of actors that are affected by the use, misuse, or the absence of CSR actions and policies (the community, customers, authorities etc.). Even if CSR is not at all a binding mechanism, ignoring it or misusing may hurt not only the company's perception in the community, but also its strategic market approach. In this article I will set the stage for the implementation of CSR policies and actions in the Romanian business market, by using a qualitative research approach based on 101 surveys. The respondents were actors from the middle and top management sphere within large companies that operate in Romania.*

**Keywords:** *sustainability, institutional factors, emerging economy, IT, CSR*

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## 1. General Framework

Romania is a country located in CE Europe, which has become, in the last two decades the second largest consumer market in the region. Constantin et al. (2011), characterized the economic potential by providing us with the following factors: the agricultural space and the favourable conditions for this activity, the landforms, the natural resources, the Romanian school and the low cost of labour.

After Romania's accession to NATO and the EU, CSR became a more present concept in Romania. An important factor was that the entities acting at the European level have started to impose their responsible business strategies in our country as well, especially in order to obtain competitive advantages on the financial markets (Stoica et al., 2019). At the same time, considering the current cultural context, transnational companies implement in Romania corporate social initiatives that are similar to those developed in other European countries. According to Iamandi (2011), “two main CSR models [most often used in Romania] could be identified: the CSR model based on the mutual strategy and the CSR model based on the shareholders' strategy.” (p. 64)

Many scholars consider that the actions taken for the benefit of the environment and social responsibility are closely related to the notion of sustainability (Jindrichovska and Purcarea, 2011). We will observe from the analysis of the literature that life is dominated by new organizational structures -

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companies. Today, they influence our lives, and their role is shifting from simple employers to more important and influential players in the communities. National competitiveness has led companies to identify new ways to differentiate, and CSR has played a significant role in strengthening the company's strategic market position. An important challenge for large companies remains the development of a credible CSR strategy, which is based on clear and ethical values and principles (Crișan-Mitra and Borza, 2015; Stoica et al., 2019).

## **2. Theoretical framework**

Crișan-Mitra and Borza (2015), find that the CSR measures and strategies are most likely influenced by the internal mechanisms of the general management (values, vision, actions or motivations). At the other end of the spectrum, criteria like responsibility, equity or transparency are not always the main drivers of CSR policies, when they should stand at the core of corporate governance.

Cespa and Cestona (2007), Fishman et al. (2006), Crișan and Borza (2015), Stoica et al., (2019), find that the main benefits of correctly adopting and implementing CSR policies and actions can play an important role in the growth of every company, by enhancing its reputation, reducing conflicts, maintaining and attracting clients, a better level of satisfaction for all the actors involved, and higher performance due to increased interest to reduce resources consumption through new technologies.

The pushback that companies offer when it comes to CSR can be understandable, because correctly implementing CSR into the organizational culture can incur additional costs (Cespa and Cestona, 2007), misguided expectation (Crișan-Mitra and Borza, 2015), divergent information or low quality results (Crișan-Mitra and Borza, 2015).

In the case of Romania, starting with 2014, the mandate for companies with more than 500 personnel is to publish non-financial information and indicators to ensure a better level of transparency and compliance with CSR practices. According to Crișan-Mitra and Borza (2015) and the study conducted by Ernst&Young in 2014 on the matter at hand (the qualitative methodology of the study was based on the 113 interviews held with top executives from the Romanian business sector) finds that the utility of CSR for Romanian companies is: recognition of the company, visibility, notoriety and the retainment and attainment of clientele.

In order to better understand the scope of CSR and its evolution not only at international level, but also at national level, we need to identify the main CSR models. Thus, Iamandi (2011) proposes in his study the following classification of CSR models:

1. CSR model based on shareholder strategy - this way of implementing CSR practice and reporting policies is based on maximizing profits for shareholding for any purpose.

2. The CSR model based on altruistic strategy - the general premise of this model is that the entity that aims to apply it is an actor in a community, with attributes and responsibilities.

3. CSR model based on mutual strategy - is a pragmatic strategy, through which the applicant entity aims to find a balance between the desire to maximize profits and the needs of the community (environmental, social or moral).

4. The model based on the citizenship strategy - the latest model is also the most complex. It categorizes the types of stakeholders and their needs, but cannot simultaneously meet the same level of expectations for each issue.

Bucur et al. (2019), finds that in this field there can be a connection between CSR practices and advantages for the entity. Regardless of whether we are looking at decreasing direct expenses, expanding work efficiency, mitigating risks or image enhancement, the advantages generated by the use of CSR in the organizational structure is undeniable.

### 3. Methodology

I've derived a research method starting from the Institutional Theory (TI). Judge et al. (2010) considers that institutional theory (TI) can be a suitable tool to identify a complementary perspective on the investigation of institutional factors that encourage or restrict the adoption and implementation of different standards and policies (Pricope, 2016). Similarly, Scott (2001) argues that countries and companies alike seek legitimacy and acceptance on the global stage and often resort to minimal adoption of formal structures. Therefore, the utilization of the CSR concept can provide legitimacy rather than improving the economic performance of entities and communities (Stoica et al., 2019).

In order to find the answer to the research question *What is the impact of CSR policies and actions in the Romanian business sector?* I have prepared and distributed a survey amongst the 15 most important companies that disclose separately and voluntarily CSR information, from in Romania. The questionnaire was distributed to the members of middle and top management within these companies, between December 2019 - January 2020. The number of respondents to the questionnaire was 101, representing approximately 27.1% of the total number of individuals covered in this research. The response rate is considered significant (Nazari et al., 2011). The questionnaire was sent to the actors concerned via e-mail.

The questionnaire was structured on 3 sections which aimed at the following: Section 1 - Demographic data of the respondents; Section 2 - Opinions on the implementation of CSR policies in Romania; Section 3 – Opinions of the CSR activity of the company that you represent. In this research, 17 questions were prepared, and in sections 2 and 3, the questions assessed the respondents' answers using the Likert scale with a score from 1 to 5 (where 1 - not at all - 5 to a large extent). For the scope of this article only 30 of these statements will be analysed.

For this research, contacts were established before the survey of the individuals, with representatives of the entities targeted for research, in the weeks

prior to the transmission of the survey. The final document was pre-tested for readability, comprehensiveness and intelligibility through pilot tests before the official submission, and the proposals received were included in the final form.

#### 4. Results and conclusions

In this section I will analyze and interpret the results of the above-mentioned survey, in order to create the image of the current CSR development in Romania.

The demographic results of the study show that almost 65% of the 101 respondents are female, which is in line with the high share of female representatives among employees in the business environment. We also find that over 83% of the respondents have ages between 22 and 35 years old, the next category in terms of size being that of respondents over the age of 35 (10.8%). In regards to the studies and diplomas held by the participants to the survey, we can observe that the majority (58.42%) graduated with a master's degree, 23.76% have undergraduate studies, and 13.861% have a doctorate in the field.

#### Corporate responsibility to the community

Table 1

Inquiries	Average	Median	Standard deviation
Companies must comply with applicable CSR legislation	4.15	4	0.87
Companies must comply with national and international CSR recommendations that apply to them even if there is no legal obligation to do so.	3.86	4	0.97
Companies need to lobby in the political sphere to help improve the CSR legal framework	3.76	4	0.92
The benefits of CSR actions on profitability are significant	3.86	4	0.99

Source: Own projection of the author

From Table 1. Corporate responsibility to the community we can deduce the perception of the representatives of the companies concerned regarding four statements. First of all, there is a strong agreement on the statement “Companies must comply with the CSR legislation in force” (AVG = 4.15 / St.Dev. = 0.87). Regarding the statements “Companies must comply with the national and international CSR recommendations that apply to them even if there is no legal obligation in this regard” (AVG = 3.86 / St.Dev. = 0.97), “The advantages generated by CSR actions on profitability are significant”(AVG = 3.86 / St.Dev. = 0.99) and“ Companies must lobby in the political sphere to contribute to the improvement of the legal framework of CSR”(AVG = 3.76 / St.Dev. = 0.92) there are close values that mean a strong agreement. Thus, compliance with existing legislation, both national and international, is seen as an essential responsibility of society.

## The importance of developing and deepening specific legislative initiatives

Table 2

Inquiries	Average	Median	Standard deviation
Policies to ban sexual harassment	3.97	4	1.08
Policies to ensure the representation of women and minorities in leadership teams	3.82	4	0.91
Policies for employee training and development	4.11	4	0.89
Occupational health and safety policies	4.10	4	0.85
Policies for the official representation of workers in decision - making	3.79	4	0.97
Policies for redirecting part of the profit to the company's research, development and innovation activities	4.08	4	0.93
Gender equality policies	3.93	4	1.02
Policies for environmental sustainability and ecological balance	4.14	4	0.87
Policies to reduce resource consumption and reduce the amount of waste produced	4.06	4	1.02

Source: Own projection of the author

Regarding the development and deepening of specific legislative initiatives, there is a strong agreement among respondents on the development of "Policies for environmental sustainability and ecological balance" (AVG = 4.14 / St.Dev. = 0.87) and "Policies for reducing consumption of resources and the reduction of the quantities of waste produced" (AVG = 4.06 / St.Dev. = 1.02). This indicates that respondents are aware of the consequences that climate change has on the environment and the importance of adopting mechanisms to counter them. Another important aspect that emerges from the applied questionnaire is closely related to the importance of human resources in the targeted companies, observing a strong agreement for the implementation of some: "Policies for training and development of employees" (AVG = 4.11 / St.Dev. = 0.89); "Policies for health and safety at work" (AVG = 4.10 / St.Dev. = 0.85); "Policies to ban sexual harassment" (AVG = 3.97 / St.Dev. = 1.08); "Policies to ensure the representation of women and minorities in management teams" (AVG = 3.82 / St.Dev. = 0.91); "Policies for gender equality" (AVG = 3.93 / St.Dev. = 1.02); "Policies for the official representation of workers in decision-making" (AVG = 3.79 / St.Dev. = 0.97). Another element that appears with a strong degree of agreement is represented by the elaboration of a "Policy for redirecting a part of the profit to the activities of the research, development and innovation of the company" (AVG = 4.08 / St.Dev. = 0.93).

An important aspect that was followed in this paper is the prioritization of CSR activity by writing a set of reports specific to these activities. The analysis shows that out of the total number of respondents, 84.15% (85 respondents) confirm that they are developing a set of separate reports related to CSR activity. This, cumulated with the strong agreement expressed by the respondents regarding the need to report the CSR activity in Romania (AVG = 4.12 / St.Dev. = 0.85), reiterates the growing importance of CSR in Romanian companies.

### CSR activities addressed in published reports

**Table 3**

Items	No. of respondents	Percentage
Environment	60	59,40%
Education	50	49,50%
Gender equality	40	39,60%
Improving the workforce and professional skills	50	49,50%
Charitable actions	41	40,59%
Health	32	31,68%
Rural development	28	27,72%

*Source: Own projection of the author*

There are a wide range of areas in which CSR can be achieved. Although they come from outside the company, activities such as education, health or rural development have a strong impact on companies because these elements influence the business environment. As we can see in Table 3., 59.40% of the respondents stated that in the case of the company they represent, CSR activities are reported aimed at improving and protecting the environment. Other activities in which the targeted companies are engaged refer to the improvement of the workforce and professional skills (49.50%) and education (49.50%). Working conditions are considered to be important elements in any company, and investment in education is closely linked to the quality of future human resources. Other activities in which a large part of the respondents are involved refer to gender equality (39.60%) and charitable actions (40.59%). Regarding the employment in activities aimed at health (31.68%) and rural development (27.72%) there are moderate percentages, but nevertheless there is an improvement compared to recent years.

### Resources used in CSR activities

**Table 4**

Items	No. of respondents	Percentage
Money	63	62,37%
Speakers and trainers	62	61,38%
Infrastructure development / construction	50	49,50%
Internship and internship positions	39	38,61%
Products	40	39,60%

*Source: Own projection of the author*

Engaging entities in various CSR activities can only be possible by using specific resources. As can be seen from Table 4, 62.73% of respondents use financial resources to start social awareness actions. This resource is used in all reported areas of action. Another way approached by the targeted companies in areas such as protecting the environment and improving the workforce and professional skills is to use specialized speakers and trainers (61.38%).

Involvement in the education sector is an important factor that should be implemented by any company because such investments can ensure the continuity of human resources in companies. This is also evident from the analyzed answers, so 38.61% of respondents use as a resource the provision of internship and internship positions in the entities they represent. Infrastructure development / construction is representative for 49.50% of respondents in areas such as rural development. In order to organize charitable actions but also to get involved in activities aimed at improving the health system, 39.60% of respondents use their own products to engage in CSR actions.

### Opinions on CSR reporting

**Table 5**

Inquiries	Average	Median	Standard deviation
The information related to the CSR activity of the company, published in the Annual Report / CSR Report / Integrated Report / Sustainability Report, presents a true picture of the actions taken in fact.	3.72	4	0.99
CSR actions developed by the company have a significant effect on the community	3.68	4	1.01
The company presents sufficient information related to the CSR activity carried out	3.39	4	0.93
The CSR actions carried out are sufficient for the needs of the community, given the field of activity of the employer	3.35	4	0.94
A listed company presents more and more detailed information related to CSR activity	3.94	4	0.88

*Source: Own projection of the author*

We can extract from Table 5 that there is a strong agreement of the respondents to the questionnaire regarding the statement “A listed company presents more and more detailed information related to the CSR activity” (AVG = 3.94 / St.Dev. = 0.88). It is important to note that the representatives of the companies concerned accept with significant confidence the following statements undertaken in fact ”(AVG = 3.72 / St.Dev. = 0.99) and “ CSR actions developed by the company have a significant effect in the community ”(AVG = 3.68 / St.Dev. = 1.01). From this analysis we can reiterate the importance of reporting CSR activities in separate reports. From the opinions of the respondents regarding the information provided by the companies related to the CSR activity carried out (AVG = 3.39 / St.Dev. = 0.93) and the number of actions carried out for the needs of the community (AVG = 3.35 / St.Dev. = 0.94) there is a moderate agreement . This may show us that entities face a hold when it comes to presenting CSR activities, but there is openness to improve the quality of reported information. Also, although there is an improvement over recent years, companies can engage in more CSR actions to ensure that the actions they take are significant to the Romanian community.

Currently, CSR reports are harshly criticized for their content and lack of credibility (Lock and Seele, 2016). The excessive freedom that companies enjoy in terms of CSR reporting, has led to the limitation of the public to which the companies address themselves, and the reports themselves have become in most cases self-laudatory news. Thus, the level of public trust in the reporting sector has suffered over the last decade, and a major change must take place both nationally and internationally. If the change is not voluntary with immediate effect, it will have to fall within the remit of the state and the EU in order to draft more conservative legislation than in the case of accounting.

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