

THE ECONOMIC JUSTIFICATION OF THE RESPONSIBLE BEHAVIOUR OF COMPANIES

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ABSTRACT: *Within the contemporary economy, we are witnessing the amplification of concerns regarding corporate social responsibility, a very complex issue dealing with trans and interdisciplinary approaches, with contemporary dynamics and pressures occurring as a consequence of the complex effects of the world crisis. The current crisis is a complex one with powerful insertions on economic, financial, social, value, moral and psycho-behavioural level. Therefore, the analysis of corporate social responsibility is not only an attractive and modern theme, but also necessary and of high relevance for Romania, being a real challenge in order to understand the economic and social trends at national and international level, especially under the conditions of an amplified world crisis.*

KEY WORDS: *corporate social responsibility; responsible behaviour; reputation; value; intangible assets; performance*

JEL CLASSIFICATION: *M14*

1. CSR CONCEPT AND EVOLVING VIEWPOINTS

The approach of corporate social responsibility (CSR) significantly differs from the point of view of particular practices. For instance, the Anglo-Saxon pattern applied in the USA and in Great Britain, is defined as a philanthropic one, part of the profits obtained being oriented to charity actions. In exchange, the European pattern is focused more on investments, in community where companies act, the enterprises having a central role in creating jobs and welfare in the society, allowing a balanced integration of its economic exigencies.

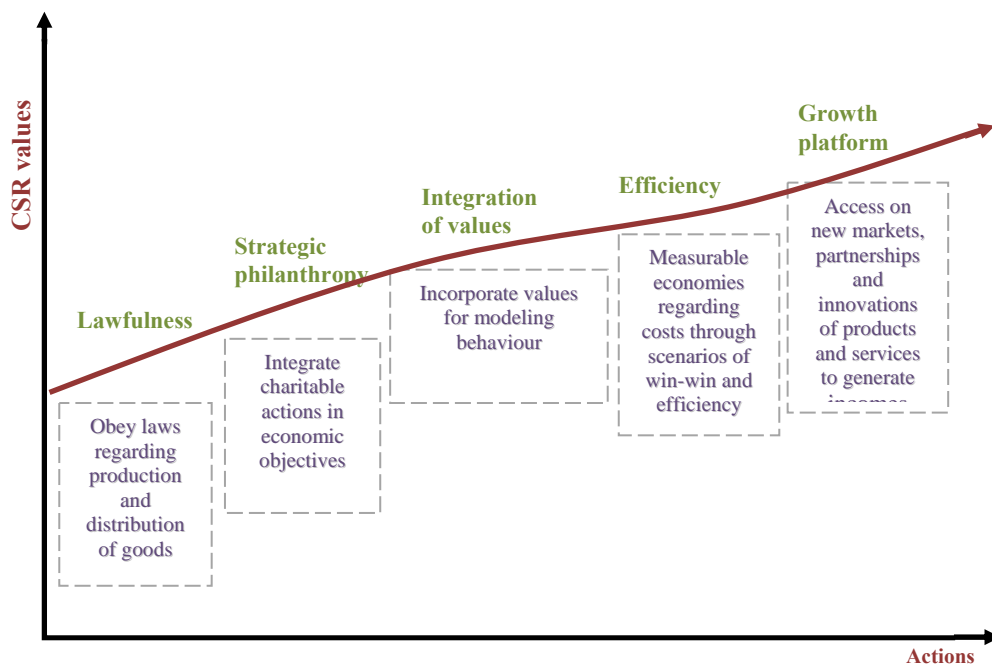
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In terms of results, the concept is translated into satisfying clients and beneficiaries, pursuing and achieving profit, a competitive position on the market, in full compliance with the requirements of employees and suppliers. From a different perspective, rather an economic point of view, *responsibility*, as a result of summing up the actions, strategies, programmes of companies in order to achieve the result indicators for companies, but also benefits for interested parties, represents the micro-economic dimension of the macro-economic concept of sustainable development.

The increased importance in the domain of responsibility is given by many factors leading to granting an enhanced attention, such as:

- Globalization, with important consequences in international commerce, delocalization of the production of large enterprises, management of human resources, environment protection;
- Consumers and investors who become more and more interested in practices of responsible companies, reacting according to the reaction of the companies towards environmental problems;
- The technological revolution through a very developed and systematized IT system allows an easier access to information concerning their activities;
- An active market adjusting factor; in this regard, responsibility of companies can be a balancing tool and risk diminishing factor in economic activities;
- The integration of CSR actions into the business strategy of the company creates a competitive advantage leading to its sustainable development.



Source: adapted after IBM Institute for Business Value 2008

Figure 1. Value curve of corporate responsibility

As the dimensions of the social responsibility are integrated within the business strategy, the curve moves increasingly from the left to the right, the companies having a sustainable growth by access on new markets, products and services which generate incomes.

Values form an organizational identity and form its behaviour. Organizations rely on two types of values: primary and secondary. The primary ones are included in the organizational culture and form all the actions of such entity. The secondary values are those incorporating the social responsibility programmes.

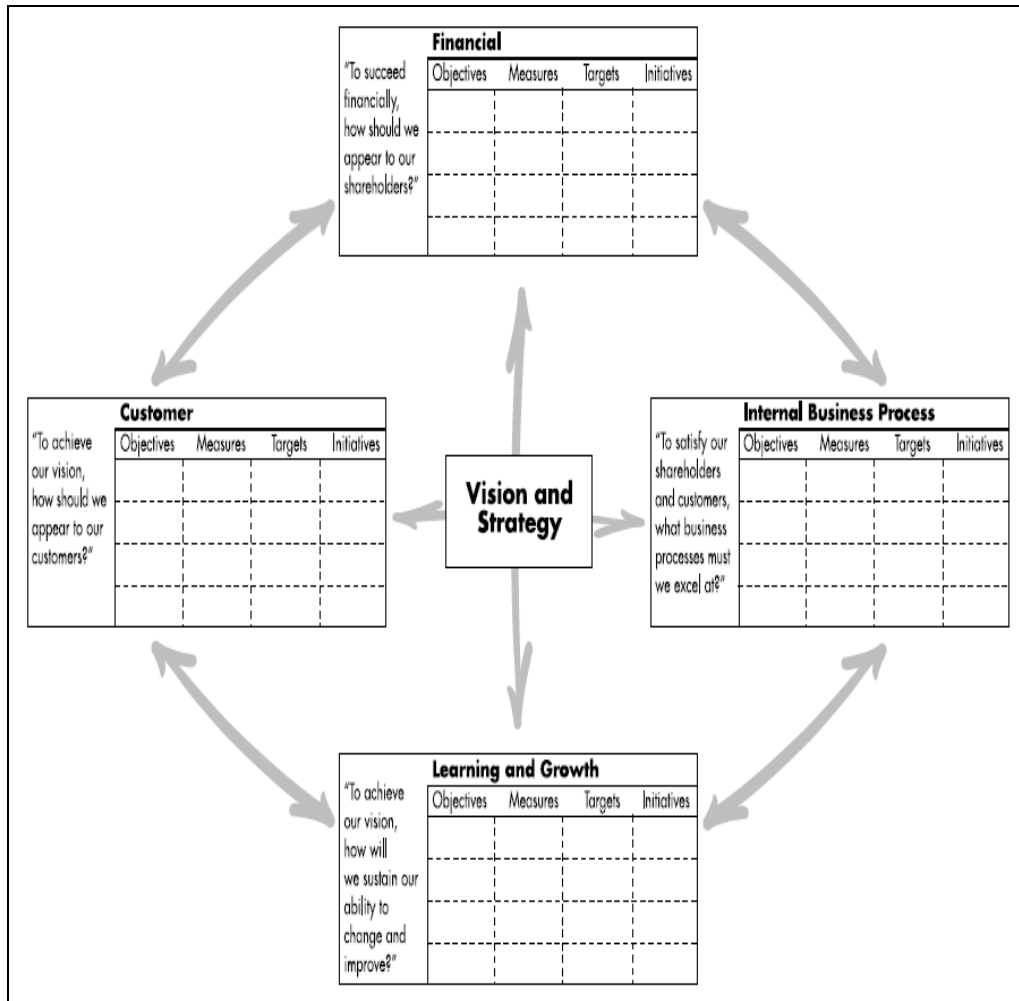
Representing the tactical communication of organisational values, organisations often face a series of conflicts between the declared values and their business ethics, determined by the shareholders and investors' needs. Some companies use the programmes to show their employees and clients that they care, but only shallowly. We mention the example of the controversial Enron company that had a set of values named RICE (respect, integrity, communication, excellence) but the subsequent events showed they had nothing to do with the business strategy or with actions of the company.

Economic justification of responsible practices comes from economic reasons. Perceived superficially as having integrally social dimensions, the concept of CSR, by its practices, *is developed in the economic field in a particular way.* According to the economic context, it is about the size of the companies, their localization (urban/rural environment), type of products, suppliers, managers and reputation of the sector of activity.

The economic justification of the CSR is built on the financial and operational indicators which measure the performance of the enterprise. Kaplan (2007) establishes a set of indicators to measure the performance of the enterprise known as the balanced scorecard. Its structure includes objectives, indicators to be measured, performance targets, indicators performance in time and clear actions aimed at achieving the targets set. This scorecard may be analysed from four perspectives: financial, internal business process, customers and learning and growth (Figure 2).

From the analysis of the balanced scorecard one can notice that the actions needed are in line with the economic, legal, ethical dimensions from Carroll's model on social responsibility. The questions which matter for the next strategies on performance growth are known in the economic field as being specific to the objectives of competitiveness. The performance objectives may intersect with the objectives of competitiveness of social responsibility.

The involvement of the interested parties is a key-element in the ability of creating the profit of such company and the welfare of the community. At the level of concept, it cannot be applied and understood outside an ingenious strategic approach without which the companies could not estimate or solve the problems related to the interactions with the economic objectives, and by these interactions to gain success and competitive advantage with their projects.



Source: Kaplan R., Norton D. (2007) *Using the Balanced Scorecard as a Strategic Management System*, Business Harvard Review, p.4.

Figure 2. Balanced scorecard for measuring performance

2. DIMENSIONS OF RESPONSIBILITY

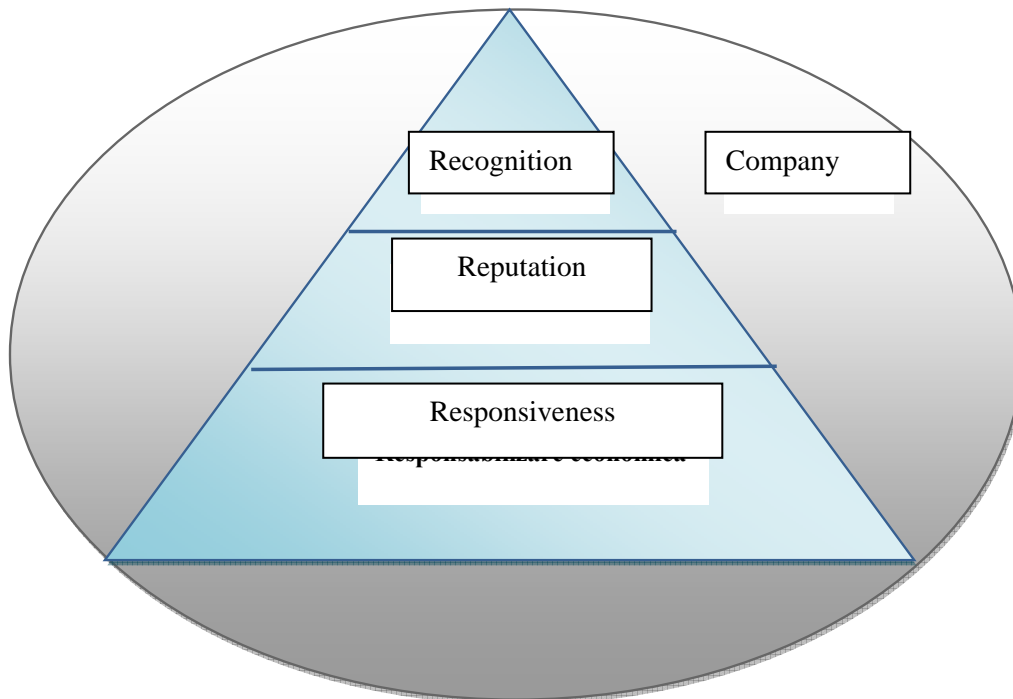
An efficient programme including actions specific to the dimensions of corporate responsibility should lead to benefits that can multiply their importance and especially their knowledge. The power of this concept turns more and more into a business tool and it is given by three dimensions that can be grouped in the three "R" of responsibility. In the author's opinion, the three "R" are: (economic) responsiveness, reputation and recognition (Figure no.2 below).

The economic responsiveness of the company consists in distinct actions aiming at economic interests of the shareholders, creation of cost-benefit balance,

marketing the goods, the consumers' interests, all these assumed by companies and competitors at macro-economic level.

Reputation becomes more and more important. It consists in a positive image towards clients, investors, skilled personnel fairly paid, based on competence, organisational culture, entrepreneurial spirit, opening to risks. In an era of information, globally interconnected, one can easily find out information about the behaviour of any company. Thus, reputation becomes an *intangible asset creating added value* to such company.

Intangible assets are essential to obtain a competitive advantage and represents a weapon against competition, because it is hard to transfer, substitute and imitate, that is why reputation plays an important part in establishing the differences in performance among organizations. The market of organisational values is heading more and more to the non-transferrable intangible assets.



Source: based on own research

Figure 3. The three „R”

Recognition refers to those benefits which come back to the company as: *performance, profitability, eco-efficiency, high commitment on behalf of the employees, lower vulnerability of the business*. The recognition of the company is emphasized by the fact that a responsible behaviour is a *balancing tool* and a *risk diminishing factor* brought by globalization in the economic environment.

3. COMPETITIVENESS - A STRATEGIC TARGET FOR SMES

The term of competitive advantage is best understood within the context of a strategy of differentiation. The motivations regarding the competitive advantage state that the companies can improve their spirit of competition by involving themselves in some CSR activities. The interested parties' requests are seen as opportunities, rather than constraints. The companies manage their resources strategically in order to fulfil these requests and exploit the associated opportunities for the company's benefit. The competitive advantage is one of the main justifications for responsible activities.

The companies can develop their own competitive advantage through CSR strategies. If the responsibility strategy of a company is conceived accurately and cautiously, it shall be unique. This uniqueness can serve as basis for differentiating the company towards its competitors and, as a consequence, as a competitive advantage.

T. Smith (Smith, 2005) said that an explanation regarding the EEO policies (European Employment Observatory) could have additional benefits concerning cost and risk reduction. Such policies would offer the company a competitive advantage, because the companies without global policies could be in a competitive disadvantage regarding recruiting and keeping the employees from the biggest talent nursery. Smith says responsibly that many institutional investors avoid the companies or industries that violate their missions of organization, values or principles. Also, they seek companies having a good reputation regarding the relations with their employees, environmental standards, involvement in community and corporate management (Smith, 2005).

The corporate responsibility initiatives can also contribute to strengthening the competitive advantage of a company by enhancing the relationship with its clients. For example, such initiatives enhance the brand loyalty.

The positive relation of responsible companies with their clients urges them to grant more energy and resources for responsible programmes. The corporate responsibility initiatives also have a positive impact in attracting investors. Corporate philanthropy can occur when it is justified and it relies on an economic reason. Porter and Kramer offer a premise for such an argument (Porter & Kramer, 2002).

One can state that a commercial activity can gain a competitive advantage by philanthropic activities, too, when such activities are oriented towards causes where there is a "convergence of interests" between the economic and the social benefits. The concept of competitive advantage, with a dynamic and macroeconomic vision, emphasizes the fact that the evolution of success and the specialization of economies depend first on the degree of competitiveness of the companies on the national and international market, on the evolution and the profile of companies, on assimilating the technical progress, and less on the existence of natural resources.

Competitiveness means productivity, understood as added value, achieved based on a used production factor unit. It has a dynamic character (Suciu & Iordache, 2008), and novelties play the part of accelerators of company activities, companies which should give up their inertia and stimulate innovation. According to the European Union, competitiveness means, cumulatively, productivity and comparative advantage, at international level. Productivity includes the intrinsic elements of comparative

advantage, but also includes a larger range of factors. And “competitiveness is determined by the increase of productivity”.

Competitiveness is created at macroeconomic level. Sustainable productivity is created by the companies. As a consequence, the quality of the business environment is a major factor. There are more factors determining the level of productivity. Among the most important, there are those referring to stimulating investments, level of competition and ability to innovate. The new concept is based on four pillars:

- a) company;
- b) competition between companies;
- c) favorable economic environment;
- d) relevant active policies oriented towards companies and government.

The competitive advantages in the economic development come from a system of conditions whose quantity and quality-structural dimensions and result from the level of competitiveness.

4. CONCLUSIONS

Corporate social responsibility is no longer of interest only for large corporations. The small and medium enterprises can adopt and adjust corporate responsibility practices from the large companies and thus they can take part in creating social benefits, although their impact can be more reduced than in case of large organisations. In doing the research, I started from the fact that responsibility practices and activities have positive effects on the company as an entity and on the interested parties.

Competitiveness is manifested at the company level and only by means of the companies it is achieved at the level of some sectors of economy. The companies are those creating and supporting the competitive advantage and only through them some objectives established at national level can be reached.

5. ACKNOWLEDGEMENT

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