The Corporate Social Responsibility Theory in the Context of Globalization

Butnaru Gina Ionela
Bălan Ana Maria
„Alexandru Ioan Cuza” University of Iasi
gina.butnaru@uaic.ro
balan_ana84@yahoo.com

Abstract

Corporate social responsibility (CSR) is a contemporaneous research topic due to the impact on the companies concerning the aspect of the favourable image of the customers and of the local communities, and also concerning the increase of the economic and financial results, and the employees and the people from the area of influence of the company through the contribution to the realization of social, cultural and economic objectives.

The aim of this article is to analyze the following aspects: the notion of corporate social responsibility and its components, the present-day stage of knowledge, the general concept of finality of the company, the relationship between the corporate social responsibility and the equity theory and how much the social responsibility of the companies is considered by the system of management of the company.

Key words: corporate social responsibility, globalisation, managerial ethics, equity
J.E.L. classification: M14

1. Introduction

The phenomenon of globalisation, emphasised in the internationalisation of production and of commerce, leads to important changes in the corporate understanding and realisation of business strategies. First of all, we can notice the intensification of the international competition, each participant on the market trying to improve the quality of products and services offered in order to sell them in higher quantity, and with advantageous prices.

However, globalisation shows that the companies are not evaluated anymore nowadays exclusively on the basis of the quality of products and services offered, but also according to the contribution to the social life of the community to which they belong. As a result, it appeared the concept of corporate social responsibility (CSR), being in a continuous clarification and improvement process in what concerns the theoretical and practical content.

Developing its activity in a very diverse and exigent social environment (unionist, political, cultural, familial, religious, of associations, regional, etc.), in order to be responsible from a social point of view, a company needs to communicate and to have an honest and open dialogue with all its internal or external partners: stakeholders, employers, customers, providers, the community in which the company develops its activity, formed by the citizens of the areas of interest, the civil society, the local administration, the government, etc.

2. The state of knowledge concerning the corporate social responsibility

The speciality literature is not very rich in CSR analysis. The issue is approached in indirect contexts, as in the case of corporate economy school books, especially in French speciality literature. Thus, Jean-Pierre Lorriaux shows that in the past (in general, the first half of the 20th century), the company emphasised its economic function [3]. Its rule of action was the following: „to follow efficiently and loyally the economic finality and the social finality will be reached by overgrowth”.

Thus, the economic finalities were on the first level (especially assets operators’ satisfaction), and the social finalities can be
realized only if there is an increase of the economic indicators of results, beyond the intended values. A new phenomenon has appeared in the last decades, the fact that the company cannot be in harmony with its environment if it does not intend to reach a social-human finality, following explicitly objectives of social progress, which are the result of the intervention of the public powers, employees, unions, consumer associations, mass-media, citizens, nongovernmental organisations, etc.

As the speciality literature mentions, the conceptual bases of the corporate social responsibilities were founded by Andrew Carnegie, at a great extent by his 1899 essay entitled “The Gospel of Wealth”. Carnegie emphasised two principles: the charity principle, and responsible administration principle (stewardship principle). According to the first principle, people who became rich through their businesses have the obligation to support the less fortunate members of society. The second principle states the fact that the rich companies and individuals should use their money as trustful administrators for the rest of the community, multiplying the social wealth by cautious investments.

Another approach of social responsibility is realised by prof. dr. eng. Liviu Marian regarding the relationship between this concept and managerial ethics [4]. Social responsibility is defined in correlation with notions of ethics, deontology, morale, needs, then he emphasises the historical issues in the evolution of social responsibility and managerial ethics, the categories of social responsibility, the costs and benefits of social responsibility, the evaluation of social responsibility, the methods of improvement of social responsibility and managerial ethics. The social responsibility as seen through the perspective of managerial ethics ‘states the managers’ obligation to choose and to apply the actions which contribute to the individual well being, in consensus with the interest of the society and of the organisation they are leading’.

In Romania we can notice a relatively detailed approach of the corporate social responsibility in a work appeared in the year 2005 [5]. Some of the aspects analysed are the following: the presentation of different opinions concerning CSR, the association of CSR to a source of profit, the history of the term, the description of the main components and characteristics, CSR and the culture of the organisation, elements and instruments of CSR evaluation, case studies concerning CSR in Romania, etc. Here is the CSR definition given by the European Union: „a concept by which a company voluntarily integrates the preoccupations towards social and environmental issues in business operations and in its interaction with interested partners”. The following CSR integrated elements were identified: mission, vision and values, business ethics, management and responsibility, economic development of communities, involvement of communities, environment, human rights, market practices, and policies at the work places.

We must stress the fact that corporate social responsibility is a much larger concept in relationship with corporate philanthropic activities, or with the donations and help offered at different communitarian activities. A study realised by the consultancy company Braun & Partners Romania in the area of Bulgaria, Poland, Romania and Hungary shows that Romania is on the last place in what concerns the corporate social responsibility in human resources with a percentage of 6%, the hierarchy being as follows: Hungary (17%), Poland (15%), Bulgaria (7%), Romania (6%) [7]. 25 companies with the highest income were chosen from each country. In what concerns the companies, it was proven that they did not have specialists in social responsibility. The same, the study emphasised the weak performances in social responsibility, showing that the companies that integrated CSR fundamental rules and principles in their system of values and business strategy had greater chances to survive the present-day crisis.

3. The fundamental finalities of the enterprise (organisation, company or corporation)

In the science of economy and the enterprise administration, as well as in the science of management, the company or enterprise is considered to have four fundamental finalities: profit, security, development and social responsibilities [1,3].
Taking into account the present economic and social demands, we add yet another important finality of a company or corporation, namely: the environmental protection, so that we can say that the firm or corporation has five fundamental finalities, as it is presented in figure nr. 1.

**Figure 1 The fundamental finalities of the company**

![Diagram of the fundamental finalities of the company]

The concept of finality of a company means the reason of its existence, the objectives or goals for which it functions [2]. Another definition shows that the finality of an organization means the system of values which the finality itself establishes, and from this point of view, any organization seeks to complete its finality or finalities.

A much wider formulation is the following: the essential, first class finality of any company is the accumulation of wealth together with its desires and with those of the society in which it develops its activity. This interpretation combines in a way two of the five essential finalities, namely the profit and the social responsibilities. Consequently, the company’s finality has a philosophical-political character, and it is an element of permanence of the system of values.

In what concerns the company, there are two possible meanings of the finality. On one hand, it seeks to realize only its own finalities, or, on the other hand, the finalities which are insured by the economic system. These two meanings are applied to different companies in the market economy (private business or public companies).

Generally, the finality is qualitative, but at a certain point a company can aim towards the realisation of each of the five finalities in the order of priority established by the management system.

The profit (P). This represents one of the companies’ essential finalities in the market economy, because through it they intend to realize certain benefits, or a profit, i.e. to be profitable. In the company’s finality the profit itself must be considered a necessity, a must.

Security or survival (S). The firm or company is an economic “cell” developing its activity among other competitive “cells”, fighting to live and to survive. The companies’ security, as a characteristic of the finality, means therefore survival in a strong competitive environment, stability, security of profit and avoiding the bankruptcy.

Development or growth (D). This finality consists mainly in the creation of new products, the modernization of the existing ones, the elaboration of new ways of production, and the modernization of the existing ones. Development is not limited only to production; it also includes the possibilities of use from which the consumer can benefit, even modifying the product, the distribution circuits, the selling methods etc., all this requiring sales promotion. The same, the development of a company can also be done through a systematic policy of concentration and diversity. The most important element for the growth of a company is developing its capacity of production and selling, which is possible only with expenses for investments.

Environmental protection (EP). The environment is formed of two categories: the natural environment and the surrounding environment. The natural environment includes a group of elements which can be analysed, described, measured and studied using the instruments of physics, chemistry and biology. This group is heterogeneous, including plants, animals, soil, subsoil, climate, landscape etc., forming a complex system inside which the life of human beings unwinds, along with all its characteristics. The surrounding environment has a wider area of influence, including both the natural environment and the environment transformed by people, artificial or anthropomorphous, clothing, food, means of transportation etc., and also residues, wastes and remains from the substances resulted from production and consumption processes.
The concept of ecological management has been developed during the past decades, also called green management, referring to the environment administration, which should be a preoccupation of both economic agents, and public administration, of some national or international institutions, and also of some pressure groups.

**Social responsibilities of the company or corporation (SR).** These responsibilities must be analysed from two different angles, namely: according to the personnel of the company or of the corporation, and also according to the society as a whole. The personnel of the company, actively participating in reaching the established objectives, is expecting it to satisfy some of their social needs, like: accumulating an adequate and safe income, sponsoring certain social actions, improving life and work conditions, offering some aids etc.

Also, the company has certain social responsibilities towards the local communities where it is located, like: participating in building some local social objectives, services development, sponsoring some actions and activities etc. Realizing these responsibilities has an important role in forming a favourable image among the company’s clients.

If we consider the five finalities, the company has the possibility to choose one or several directions of action from the 120 possible strategic combinations, given by the permutation of the five finalities, i.e.: the number of strategies = \( N! = 1 \times 2 \times 3 \times 4 \times 5 \times 5 = 120 \). In these 120 strategic combinations, each of the five finalities appears by a number of times determined in the first place, the second, the third, the fourth, and the fifth, as it follows: 1. P, S, D, EP, SR; 2. S, P, D, EP, SR; and so on.

### 4. Corporate social responsibilities and the theory of equity

Nowadays, a pretty well established theory has been developed concerning the concept of equity and the practical ways of materialisation in companies and in society as a whole through their management system. Thus, Jean-Marie Peretti’s book entitled “Les clés de l’équité dans l’entreprise” is to be noted, book which appeared in Édition d’Organisations, in 2004. We present some ideas from this work in order to show the connection between the theory and the application of equity and CSR.

The term equity appears very often in political and managerial speeches. The investigations show that the solicitation of equity is very strong at present times, and the managerial speech often makes reference to it. The dimensions of equity are largely approached and the demand of equity is necessary from a political, social and economic point of view. In an economic context where the inequity risks are numerous, developing some equity managerial and economic measures is absolutely necessary in order to build, keep and reinstall trust [6].

Today, the problem of equity is omnipresent in society. The citizens expect the state to introduce and favour equity everywhere: equity between the employees of private companies and the civil servants, equity between the different ages, equity between the managing personnel and the rest of the employees, equity in the contribution which forms the national income, equity in Europe etc. Consequently, it is necessary to have a higher demand concerning equity in management and building a more equitable society and company. Making precise rules in the equity management and applying them is more and more imposing. The employees openly express a great equity attention in what concerns the incomes, the formation, the promotion, the evaluation and mobility, identifying equity as a justice based on the contribution of each one to the labour and income.

The theory of equity is used in order to explain the individual and collective behaviours at work and in society, thus contributing to the explanation and clarification under a social and economic aspect of the numerous problems in the field of human resources and management at micro-economic and macro-economic level.

The equity can be internal and external. The internal equity consists in the fact that the employees compare themselves to other employees of the company, which will result in equity or inequity. The external equity appears when the employees compare themselves to persons outside the company who do the same work, thus leading also to a state of equity or inequity.
5. The management system of the company and corporate social responsibilities

The corporate social responsibility (SR) welcomes the theory and practice of equity because it implies that the companies’ responsibilities towards the society are much more important compared to the responsibility of maximizing its economic value which goes back to the owners or stakeholders.

We must emphasise the reality that the managers of the companies are not receptive enough to the demands of social responsibility. They are preoccupied, as mentioned above, with the maximisation of the dividends of the company’s stakeholders. They explain this attitude by stating that the social responsibility is costly for the company and they are not willing to use part of the company’s profit in order to act according to the requirements of social responsibility.

The theory of equity presented in the previous paragraph does not mean egalitarianism. It only involves equitable differences in the payment by guaranteeing each employee a worthy evaluation of their contribution. Also, it involves policies and actions which meet the expectancies of equity and of corporate social responsibilities requirements.

6. Conclusions

From a theoretical point of view, we can say that there are at present enough elements in order to get a larger image of CSR. However, CSR should not be separated from the other four fundamental finalities of the company: profit, security or safety, development and environmental protection. These are the very reasons from which CSR was presented in this work as a distinct component of the fundamental finalities of the organisation.

On the other hand, CSR should be considered through its correlations with managerial ethics and equity of responsibilities and advantages of any nature. The same, a point of view almost unanimous is that CSR should be included in the business strategy of the companies, as it results from the 120 sets of possible strategies. Consequently, it should be provided in plans and programs, and thus it should be evaluated and measured accordingly.

In a continuously changing world, in which economic crises and of other nature periodically appear, people wish a greater involvement of the companies in solving social issues in order to overtake their different needs and difficulties determined by troubles from the social-economic environment.

7. Acknowledgements

This work was supported from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007-2013, project number POSDRU/1.5/S/59184 „Performance and excellence in postdoctoral research in Romanian economics science domain”.

8. References