

# Corporate Social Responsibility – a benefit for a company's future

Bogdan L. Blaga, Roxana C. Cordos<sup>1</sup>

**Abstract:** The paper makes an overview on the importance of CSR, focusing on the benefits that can be obtained at the level of the company. Knowing these benefits and pursuing them, also through the general business strategy, is essential for the growth of the process for adopting CSR by the Romanian companies. Some of these benefits are: to obtain loyalty to the brand, to improve the company's reputation, to keep the qualified and important employees and so on.

*Keywords* - CSR, drivers, brand, reputation, volunteering.

## I. INTRODUCTION

Corporate Social Responsibility (CSR) is a concept that refers to the contribution that the companies should have to the development of the modern society. Over the time, this contribution has been theorized differently, the "responsible" initiatives of the companies being called by using a variety of terms: corporate citizenship, corporate philanthropy, corporate societal marketing, community affairs, community development etc.

## II. THE PRINCIPLES OF CSR

While the states and the international institutions have realized that the use of the CSR principles by the companies serves to the objectives of sustainable development, the need for some international standards to define what "a corporative desirable behavior" has also appeared.

The United Nations, The European Union and the European Organization for Cooperation and Economic Development are three of the most important institutions which were involved in the elaboration of a frame that would define CSR and would establish the indicators through which CSR can transparently be evaluated.

This frame has been completed by recommendations and principles to guide the states and the local authorities in the elaboration of public policies that would promote insure the transparency and support the CSR initiatives.

Thus, in order to prove that it is "socially responsible", a company has to understand the CSR principles that are being internationally promoted and to report periodically with respect to the integration of these principles in its activity.

Global Compact is an initiative of the United Nations to create a partnership between the UN and the companies in order to accomplish global sustainable development. This program has become operational on July, 2000.

Functionally, Global Compact is a network of United Nations agencies, companies, trade unions, business organizations, universities, organizations of the civil society, governmental/administrative institutions.

Global Compact acts as a guide for the companies that orient towards Corporate Sustainable Responsibility. The program presents the present directions of actions, with respect to a set of 10 universal principles:

- to support and respect human rights;
- to make sure that they are not accomplices to breaking human rights;
- to support the right to free association;
- to contribute to the elimination of all forced working forms;
- to contribute to the eradication of the phenomenon of working children;
- to contribute to the elimination of discrimination in obtaining a job and exercising the profession;
- to approach in time the environmental issues;
- to promote responsibility towards the surrounding environment;
- to encourage the development and spread of technologies that do not harm the environment;
- to discourage any form of corruption, including bribery and blackmail.

## III. THE DRIVERS OF CSR

Companies may be influenced to adopt CSR practices by several drivers.

### A. Ethical consumerism

The rise in popularity of ethical consumerism over the last two decades can be linked to the rise of CSR. As global population increases, so does the pressure on limited natural resources required to meet rising consumer demand.

Industrialization in many developing countries is booming as a result of technology and globalization. Consumers are becoming more aware of the environmental and social implications of their day-to-day consumer decisions and are beginning to make purchasing decisions related to their environmental and ethical concerns. However, this practice is far from consistent or universal.

<sup>1</sup> Bogdan L Blaga and Roxana C. Cordos are with the Faculty of Machines Building, Department of Management and Industrial Engineering, Technical University of Cluj-Napoca, 103-105, B-dul Muncii, Romania

## B. Globalization and market forces

As corporations pursue growth through globalization, they have encountered new challenges that impose limits to their growth and potential profits. Government regulations, tariffs, environmental restrictions and varying standards of what constitutes labor exploitation are problems that can cost organizations millions of dollars. Some view ethical issues as simply a costly hindrance.

Some companies use CSR methodologies as a strategic tactic to gain public support for their presence in global markets, helping them sustain a competitive advantage by using their social contributions to provide a subconscious level of advertising.

Global competition places particular pressure on multinational corporations to examine not only their own labor practices, but those of their entire supply chain, from a CSR perspective.

## C. Social awareness and education

The role among corporate stakeholders to work collectively to pressure corporations is changing. Shareholders and investors themselves, through socially responsible investing are exerting pressure on corporations to behave responsibly.

Non-governmental organizations are also taking an increasing role, leveraging the power of the media and the Internet to increase their scrutiny and collective activism around corporate behavior. Through education and dialogue, the development of community in holding businesses responsible for their actions is growing.

## D. Ethics training

The rise of ethics training inside corporations, some of it required by government regulation, is another driver credited with changing the behavior and culture of corporations. The aim of such training is to help employees make ethical decisions when the answers are unclear. Some believe that humans are built with the capacity to cheat and manipulate, a view taken from, hence the need for learning normative values and rules in human behavior.

The most direct benefit is reducing the likelihood of "dirty hands", fines and damaged reputations for breaching laws or moral norms. Organizations also see secondary benefit in increasing employee loyalty and pride in the organization.

Increasingly, companies are becoming interested in processes that can add visibility to their CSR policies and activities. One method that is gaining increasing popularity is the use of well-grounded training programs, where CSR is a major issue, and business simulations can play a part in this.

## E. Laws and regulation

Another driver of CSR is the role of independent mediators, particularly the government, in ensuring that corporations are prevented from harming the broader social good, including people and the environment. CSR critics argue that governments should set the agenda for social responsibility by the way of laws and regulation that will allow a business to conduct themselves responsibly.

The issues surrounding government regulation pose several problems. Regulation in itself is unable to cover every aspect in detail of a corporation's operations. This leads to burdensome legal processes bogged down in interpretations of the law and debatable grey areas.

General Electric is an example of a corporation that has failed to clean up the Hudson River after contaminating it with organic pollutants. The company continues to argue via the legal process on assignment of liability, while the cleanup remains stagnant.

The second issue is the financial burden that regulation can place on a nation's economy. Critics of CSR also point out that the organizations pay taxes to government to ensure that society and the environment are not adversely affected by business activities.

## F. Crises and their consequences

Often it takes a crisis to precipitate attention to CSR. One of the most active stands against environmental management is the CERES Principles that resulted after the Exxon Valdez incident in Alaska in 1989.

Other examples include the lead poisoning paint used by toy giant Mattel, which required a recall of millions of toys globally and caused the company to initiate new risk management and quality control processes.

In another example, Magellan Metals in the West Australian town of Esperance was responsible for lead contamination killing thousands of birds in the area. The company had to cease business immediately and work with independent regulatory bodies to execute a cleanup.

## G. Stakeholder Priorities

Increasingly, corporations are motivated to become more socially responsible because their most important stakeholders expect them to understand and address the social and community issues that are relevant to them.

Understanding what causes are important to employees is usually the first priority because of the many interrelated business benefits that can be derived from increased employee engagement (i.e. more loyalty, improved recruitment, increased retention, higher productivity, and so on). Key external stakeholders include customers, consumers, investors (particularly institutional investors, regulators, academics, and the media).

## IV. A COMPANY'S BENEFITS OF THE CSR PROGRAMMES

It is easy to suppose the benefits of Corporate Social Responsibility at the society's level. They are strongly connected to the public welfare and interest.

In the meantime, there are also benefits that can be obtained at the company's level. Knowing these benefits and pursuing them, including through the general business strategy is essential for the process of using CSR by the Romanian companies to have a vast proportion.

Further on a series of general benefits will be presented.

a) The CSR programs help the firm to differentiate from the competition and to obtain loyalty to the brand.

There are two factors that make from CSR a real weapon in building a brand:

- the consumers have become more informed, more capable to express their opinions and more concerned about subjects related to health, environment or social issues;

- the market has become a really crowded and the brands have been forced to find new relevant methods in order to create emotional connections to the public.

Due to the fact that they respond exactly to these kinds of emotional needs, the CSR programmes are a good opportunity to communicate the brand's values in an unforgettable way.

Studies have also showed the fact that when the consumers have to choose between similar products, their preferences are going towards the brands that are considered "responsible". Thus:

- 70% of the European consumers believed that the responsibility of an enterprise is important to the decision to buy a product or a service (source: MORI 2000);
- 86% of the Americans tend to change a brand in the favour of a similar brand involved in a social cause (source: 2004 Cone Corporate Citizenship Study).

b) The CSR programmes help the companies to improve their reputation.

Right now, the companies' success depends directly on the trust that the community within which they activate is giving to them, the authorities, the media or the partners.

Without this trust, the company meets many risks. For instance it becomes vulnerable in front of protest gesture coming from groups or activist organizations. It endangers its relationship with the authorities or the partners, who will not want to put into danger their public image by being associated to a company whose practices are questionable.

Last but not least the journalists and the opinion leaders will become more virulent and sensitive to the attacks to the company.

On the other hand, when the companies prove their responsibility to the community, the benefits that come from a good reputation have immediate consequences. Thus:

- 61% of the opinion leaders worldwide are willing to recommend the products of a responsible company (source: The Insightpoll.com Opinion Elite Panel 2004);
- 84% of the Americans believe that social responsibility is important when they think about the companies that they agree on seeing working within their community (source: 2004 Cone Corporate Citizenship Study).

Also, supporting a social cause is a good opportunity to start partnerships with other companies, public authorities or media institutions. If we are talking about social causes that are important for them too, the company will gain their trust and respect.

3. The CSR programmes will help the companies to increase their sales and market share.

This specially applies to the Cause Related Marketing.

The CSR's contribution to the market's success of a company can also be determined when there is no campaign, but a long term commitment. Even if there is little information regarding in this direction, the figures are spectacular. Thus:

- In 2000, the sales volume of "ethical products" reached in Great Britain 13.4 billion pounds. During 1999-2001 the increment's rhythm of this market was of almost 18.2% - six times bigger than the general increment's rhythm of the British market (source: Ethical Purchasing Index 2001);

- In 2000, the analysts have showed that the CSR programmes had a direct contribution of 20% in the increase of profitability of Cooperative Bank. Also the CSR activities had a contribution of 25% to the positive impact on the clients' satisfaction of the British Telecom company (source: CSR Europe).

4. The CSR programmes can help the company in attracting and keeping valuable employees

For any company that works within a strong competitive environment, the employees' attachment to the brand is essential. And this attachment cannot be obtained just through wages, but especially through the accent set on the brand's values.

More and more the employees need to be proud of the company for which they are working. Thus:

- 78% of the American employees prefer to work in a company that is seen as being ethical and having a good reputation than to have a higher wage (source: The Cherson Group, 2001);
- For 81% of the Americans, the responsibility of a company is an important decision factor when choosing the working place (source: 2004 Cone Corporate Citizenship Study).

## REFERENCES

- [1] Grace, D., S. Cohen (2005). *Business Ethics: Australian Problems and Cases*. Oxford University Press, ISBN 0195507940, p. 147;
- [2] Sacconi, L. (2004). A Social Contract Account for CSR as Extended Model of Corporate Governance (Part II): Compliance, Reputation and Reciprocity. *Journal of Business Ethics*, No.11, pp.77-96.
- [3] Sullivan, N.; R. Schiafo (2005). Talking Green, Acting Dirty (Op-Ed). *New York Times*, June 12, 2005.
- [4] Tullberg, S., J. Tullberg (1996). "On Human Altruism: The Discrepancy between Normative and Factual Conclusions". *Oikos*, Vol.75, No.2, pp.327-329.
- [5] Roux, M. (2007). "Climate conducive to corporate action: 1 All-round Country Edition". *The Australian*. Canberra, A.C.T. p.14. <http://www.theaustralian.news.com.au/story/0,25197,22356183-7583,00.html>.
- [6] The Associated Press (2008), "Mattel settles with 39 states over tainted toys", December the 15<sup>th</sup>, <http://www.msnbc.msn.com/id/28241169/>.
- [7] CSR Network. "What is CSR?", [http://www.google.ro/search?hl=ro&rlz=1R2SKPB\\_en&q=CSR+Europe&meta](http://www.google.ro/search?hl=ro&rlz=1R2SKPB_en&q=CSR+Europe&meta)
- [8] Wikipedia, Magellan Metals, [http://en.wikipedia.org/wiki/Magellan\\_Metals](http://en.wikipedia.org/wiki/Magellan_Metals)
- [9] Cutler, J. Cleveland. (2008), "Exxon Valdez oil spill", *The Encyclopaedia of earth*, August the 26<sup>th</sup>, 2008, [http://www.eoearth.org/article/Exxon\\_Valdez\\_oil\\_spill](http://www.eoearth.org/article/Exxon_Valdez_oil_spill)
- [10] <http://www.causemarketingforum.com/page.asp?ID=330>
- [11] [http://www.apcoworldwide.com/content/pdfs/Global\\_CSR\\_Study\\_Sept2004.pdf](http://www.apcoworldwide.com/content/pdfs/Global_CSR_Study_Sept2004.pdf)
- [12] [http://www.greenconsumerguide.com/features/ethical\\_purchasingindex2001.pdf](http://www.greenconsumerguide.com/features/ethical_purchasingindex2001.pdf)
- [13] [http://www.hrmguide.net/usa/commitment/employer\\_branding.htm](http://www.hrmguide.net/usa/commitment/employer_branding.htm)