

## EFFECTS OF SOCIAL RESPONSIBILITY ON COMPANIES

*Paul GHEORGHE*<sup>a</sup>, *Florin Ionuț BRATILOVEANU*<sup>b</sup>, *Gabriela Iuliana MUNTEANU*<sup>c\*</sup>

<sup>a</sup> *The Bucharest University of Economic Studies, Romania*

<sup>b</sup> *Valahia University from Târgoviște, Romania*

<sup>c</sup> *Andrei Șaguna University from Constanța, Romania*

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### ABSTRACT

*The paper presents the concept of Corporate Social Responsibility as an element that can contribute, in long term, to fulfill the company's goals by adopting a strategy that has as aim to improve the image of the company and build its name, alongside with the increase in profit and participation at the development of the society.*

**KEYWORDS:** *competitiveness, corporations, social responsibility.*

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### 1. INTRODUCTION

Corporate Social Responsibility (SRC) is an increasingly familiar concept in companies. Born in the United States, the concept grew even in developed countries across Europe, its utility being understood by both companies and recipient communities. SRC (Social Responsibility of the Company) refers to the contribution that a company can make to the development of the company in different areas: economic, social, environmental protection, etc., the company participating as a "citizen" in the welfare of the environment in which it operates, based on volunteering.

The public expectations of corporate social responsibility are on an upward trend and have become an important subject of analysis in building the company's reputation, focusing on balancing the balance between shareholders' interest and the interest of society, and no company can afford to act or to give the impression that it is acting against the society in which it manifests itself.

### 2. THE INTERNAL DIMENSION OF SOCIAL RESPONSIBILITY

#### 2.1 Types of SRC at company level

Professor Archie B. Carroll presented and illustrated in the *Company's Social Responsibility Pyramid* the four types of responsibility the company has towards society (Carroll, 2015):

1. Economic responsibility, materialized by profit taking, thus ensuring a competitive market presence and development over time.
2. Legal responsibility, subject to compliance with the law, is transposed into the obligation to comply with national and international rules and legislation,
3. Ethical responsibility to respect the rights of others and the conditions of fair play, integrity, morality,
4. Philanthropic responsibility, where decisions are guided in volunteer terms, with manifestations in areas such as education, culture, environment, social, sports, human rights and in any form that lead to an increase in the quality of life.

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\* Corresponding author. E-mail address: [gabrielamunteanu@andreisaguna.ro](mailto:gabrielamunteanu@andreisaguna.ro)



**Figure 1. The Pyramid of Corporate Social Responsibility**  
*Source: adapted from Carroll (2016, p.7)*

Over time, SRC has proved to be an element that contributes to achieving the company's goals, and even becomes a necessity in the context of the company's competitiveness, some companies understanding to take advantage of the competitive advantage gained in the competitive struggle on the market.

## **2.2 SRC strategies of the company**

In fact, companies have the opportunity to introduce in their own strategies, specific expenditures of activities that have the ultimate goal not only to increase the profit but also to reduce the negative impact on the environment and investing in the local community.

The strategies by which the company can react to the challenge of social responsibility are defined by Professor Archie B. Carroll as follows (Carroll, 2016):

1. The reactive strategy, according to which a company denies responsibility, invoking that this is the responsibility of governmental organizations, and stressing that as long as it complies with the law, there is nothing to reproach,
2. The defensive strategy, recognizing your responsibility and trying to escape by making a minimum effort to save appearances,
3. The adaptation strategy, which takes the necessary measures to fulfill the requirements of manifestation of social responsibility,
4. The proactive strategy by which the company tries to anticipate expectations and take the necessary action, doing more than is required to do.

At present, the proactive strategy is being applied by more and more companies that are implementing SRC actions, mainly by upgrading and adopting optimized processes to reduce environmental impact, but also by providing additional services to employees and by developing mutually supportive relationships with local authorities.

The reasons why a company takes responsibility for society can be synthesized and included in the following forms: economic interests, namely profit growth, attracting and retaining qualified staff, building and maintaining good reputation, ethics and morality.

Ethics represents a legal principle that underpins the regulation of all social relations in the spirit of justice, equality and justice, of mutual collaboration and respect. The company can pursue respect for this principle both within it, within the organizational culture, and through its outward manifestations. In this context, the company has to return something to society, and this aspect is becoming more and more binding in the public opinion. This is an aspect that creates reputation, with the reputation of the supplier being a factor that significantly influences customer choice in all areas.

From the perspective of the company, the involvement in the social life of the community aims at achieving the following objectives:

- improving relationships with customers, suppliers, authorities,
- influencing the target audience, opinion makers, press, influencers,
- positioning the company on a superior level of perception and confidence,
- increasing visibility and improving the image and reputation of the company,
- customer loyalty to the company and its products,
- motivating employees,
- increasing competitiveness.

### 2.3 The European Corporate Social Responsibility Perspective

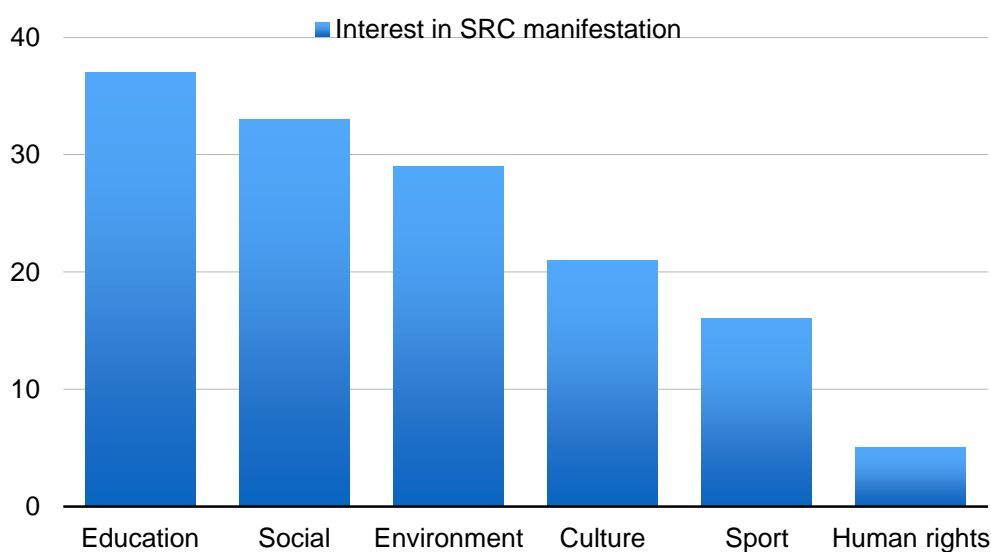
In the 2008 competitiveness report, the European Commission considers that the economic effects of SRC can be identified by six indicators: cost structure, human resource, customer perception, innovation, risk management and reputation, financial performance. In the Commission's view, SRC is understood as a concept whereby companies integrate social or environmental concerns into their own operations and interact with stakeholders on a voluntary basis. The SRC is part of the Europe 2020 strategy and is intended to be a tool for achieving the competitiveness promoted as a European model.

Within the European Union, the adoption of specific SRC measures is exclusively based on the desire of companies, all voluntary activities being voluntary. According to statistics, 99% of EU businesses are small and medium, which is why they are given special attention.

To this end, the European Commission is a special SME program (small-medium enterprises) and targeted surveys are being carried out. From SRC and *Competitiveness European SMEs' Good Practice*, we find that 43% of Romanian businesses consider that adopting social responsibility measures can lead to positive results for the firm, but 17% consider the impact as significant, 37% considering the influence as very small (Mandl & Dorr, 2007; Kurucz et al., 2008).

### 2.4 SRC approach at the level of Romanian companies

Currently in Romania, most SRC-specific actions are undertaken by multinational companies, understood and adopted in the countries of origin, understanding beyond the donation appears rarely in context.



**Figure 2. Fields of interest for social responsibility**

Source: The DNA of the CIO, Tendinte si realitati CSR in Romania (2015, p. 34)

The site [www.responsabilitatesociala.ro](http://www.responsabilitatesociala.ro) presents a study conducted in Romania, from the results of which it appears that the interest of the multinationals present in our country in order to manifest their responsibility was directed to: education 37%, social 33%, environment 29%, culture 21%, sport 16%, human rights 5%.

The main manifestations were donations in money, equipment, building materials, educational materials, educational programs and volunteer actions of their own employees.

Thus, in Romania, SRC is perceived mainly as a tool for promoting the image of the company, not as a long-term commitment to contribute to the development of society. It is easy to understand why, to a large extent, only multinationals have understood that long-term development can only be achieved in sustainable conditions, in an efficient economy and with responsibilities to society and the environment in constant attention.

### **2.5 The SRC effects on companies**

The social responsibility of the company falls within the relationships established between the company and the society in which it operates. These relationships may have as their object:

- Environmental protection policies with proactive actions to prevent harmful effects or corrective actions to remedy or limit negative effects,
- own employees with skills development, raising the quality of life and ensuring the materialization of their wishes to undertake or participate in various volunteer activities,
- Stakeholders, in ensuring that the company's objectives are met to the standards set in terms of legality and ethics,
- Society, at any level (local community, nation or humanity in general) in order to ensure a higher living environment through actions that concern local communities, sports, culture, education, disasters or emergencies, but also on environmental protection, human rights, eradication of poverty, etc.

There is a strong link between SRC and long-term development of companies, all the more so as the company's social and environmental impact is felt by the company as well. Actions are not limited to donations and charitable events, including in their own development strategies and partnerships with the community, both of which bring important benefits. Additionally, the company's image is improved through ethical behavior and community benefits. Credibility increases and the company can benefit from different types of advertising. In the context of globalization, reputation is increasingly important.

### **3. CONCLUSIONS**

Companies with inappropriate behavior cannot hide this easily. Customers have the means of information and the possibility of sanctioning or rewarding companies in assessing, in addition to quality and price, other criteria such as how workers are treated or whether the environment is protected.

SRC has both positive and negative effects on the company. These effects are not easily quantifiable by direct measurements but influence the profitability and competitiveness of the firm. Lack of actions on this line may lead to the reputation being spoiled and corruption of the company's message. Social responsibility measures based on well-considered strategies can lead to sustainable development and, implicitly, to sustainable competitiveness in the medium and long term. It can be firmly affirmed that businesses cannot exist without society and society cannot exist without businesses. The enterprise cannot justify its existence as an end in itself. It can only exist for society. The company exists to produce goods and provide services, not to justify jobs or dividends. These are necessary means, not goals (Drucker, 2008). In order to fulfill this duty to society, it must be added the concern for the quality of life to the fundamental concern (economic type).

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