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# **The Social Responsibility Influence of Corporations on Sustainable Development**

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## **Abstract**

The social responsibility of corporations is a concept that refers to the debt which companies (as social actors) has with respect to all the parties involved in the development of actions presupposed by their economic activity. The concept refers to all categories of companies, from micro-enterprises, up to multinational companies. The companies' task in the social responsibility of corporations refers to the fact that the respective company has to act bearing in mind the consequences, positive or negative, caused by their activities into the society, the company having the obligation of minimizing the negative effects.

## **1. Introduction**

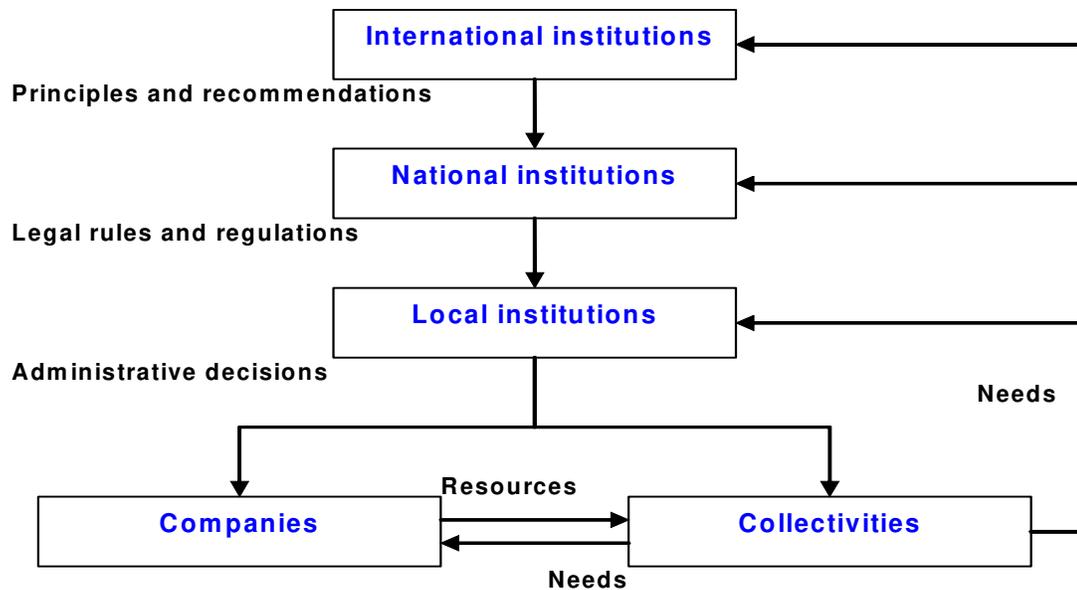
The social responsibility of corporations or CSR (Corporate Social Responsibility) refers to the way in which businesses balance their values and behavior with the expectations and needs of the interested parties – not only of the clients and shareholders, but also of the employees, suppliers, communities, authorities and of the

company as a whole. Balancing all of these interests, the company's ability to meet all of these expectations and to bring solutions have to be realized in an organized manner by totally integrating the concept of social responsibility within the management systems and, consequently, in all the companies' activities, in the organizational culture, in the essence of the business.

This integration process is realized in time and in conformity with some governing principles, with some managerial models and regularly in the framework of certain agreements which the companies sign at a global level with international organisms. Therefore, international norms and standards are imposed in order to ensure measuring and comparing the performances attained by the companies with regard to CSR.

Important Romanian companies are implementing the CSR framework according with the main international approaches. An example is Petrom, a company dealing in petrol distribution.

## **2. International framework**



*Fig. no. 1 Presentation of CSR*

From the international institutions perspective, CSR (Corporate Social Responsibility), is an idea which refers to the contribution that the companies should have to the modern society development.

As the states and international institutions realized that adopting the CSR principles by the companies serves the sustainable development objectives, consequently appeared the need of certain international standards in order to define what a „desirable corporate behavior” means.

The United Nations, European Union and the Organization for Economic Co-operation and Development are three of the most important institutions involved in the elaboration of a framework to define CSR and establish the indicators for a transparent evaluation.

This framework was accompanied by recommendations and principles that would guide the states and local authorities in formulating public policies in order to promote, ensure transparency and support the CSR initiatives.

By analyzing figure 1, we can say that a company is “socially responsible”, if it knows the CSR principles internationally promoted and it aims at its integration locally.

If, before the year 2000, sustainable development was a subject approached in macro-economical terms, nowadays it is especially debated in micro-economical terms, at the level

of economic entities. This subject mainly regards the large multinational corporations, considering their turnover and presence in all the countries of the world, including those in which the respect for human rights or the fight against corruption do not constitute a priority of the governments.

Generally, sustainable development applied at the level of corporations and economic entities materialized in the concept of “social responsibility of corporations”. The European Commission in the “Green paper” dedicated to this concept defines it as follows: “The voluntary integration by the companies, of social and environmental preoccupations in their economic activities and in their relation with the stakeholders”.

This definition raises three fundamental principles:

- Voluntary action of the companies;
- Triple approach: economical, social and environmental;
- Reporting to the companies’ stakeholders.

Sustainability and responsibility have been reunited under the „umbrella” of social responsibility of corporations (CSR- Corporate Social Responsibility), which became a global movement.

As the welfare of a country is not only measured in its GDP, but also in the aspects of education, health, freedom of speech, income

allocation etc., in the same way, the state of an economic entity is no longer evaluated solely through the financial result. A large part of the companies' capital is presently non-corporate, founded especially on people's intelligence and less on infrastructure. It is related to image, brand, to passing from quantity to quality.

Offering only inexpensive products and services is no longer sufficient. Companies must also offer guaranties with regard to the origin of the raw materials, manufacturing or purchasing conditions, respecting the environment and human rights. Clients get more easily attached to ethical products, even though they are sometimes more expensive. Ethics is present nowadays at the Stock Market (Stock Market Indexes of corporate social responsibility), among the banks' criteria for granting loans (McDonough ratio) and the investors' criteria for placing their capital. Last but not least, ethics is a demand of the local communities and public authorities. Therefore, the interests of corporations can no longer advance independently from the stakeholders who ensure their durability: shareholders, employees, consumers/ customers, suppliers, subcontractors, population, authorities. The companies stand before a challenge: that of conciliating all of these interests, which is not related with generosity, but with lucidity and intelligence.

European Union is interested in CSR, which considers to be a means to the end established at the European Council from Lisbon, from the year 2000 of becoming „*the most competitive and dynamic economic system in the world, able to sustain the economic development through more and better jobs and more efficient social cohesion.*”

In order to guide the companies in the CSR implementation, the European Union has also elaborated a series of principles, which aim at two dimensions of the relationship between the company and community:

### 3. The internal dimension

In the direct relation with the employees, the companies have the responsibility to:

- Ensure the improvement in the lives of the employees, in the workplace and outside the workplace.
- Ensure a safe and healthy work.
- To responsibly approach the restructurings in the case of a crisis, taking into consideration the interests of all the stakeholders.
- To minimize the impact of the activities undergone on the environment and natural resources.

### 4. The external dimension

In the relation with all their stakeholders, the companies should:

- Support the development of the communities where they activate.
- Support the development of the local economic systems by signing partnerships with local distributors.
- Respect human rights stipulated in the Universal Declaration of Human Rights from 1948.
- Protect and encourage the protection of the environment at a global scale.

European Union recommends companies to integrate these principles within their code of conduct and to report on the way in which they have been applied.

The Organization for Economic Co-operation and Development (OECD) developed from the Organization for Economic Co-operation (OEEC), founded from 1947 in order to support the Marshall Plan implementation.

Created as an economic homologue of NATO, OECD took over the responsibilities of OEEC in 1961. The mission of the organization is to help the states to reach sustainable development on an economic plan.

### 5. OECD Perspective

In order to coordinate the companies' actions to reach sustainable development at a global scale, the OECD has elaborated, in 1976, "Guidelines for Multinational Enterprises" – a series of guidelines that have to be taken into consideration by any company, regardless of the domain in which they activate, aiming at the

human rights, environment protection, the consumers' interests, corruption and competition. In the year 2000, the revised variant of the "Guidelines for Multinational Enterprises" was published.

According to "OECD Guidelines" the companies should:

- contribute at the economic, social and environmental development, supporting the principle of sustainable development;
- respect human rights in all the activities they carry on;
- encourage the development of local communities;
- not accept exemptions that are not included within the local legislative framework related to the environment, health, security, work and taxation;
- support and apply the equitable principles and practices of company management;
- develop and apply efficient management systems for establishing a relation of confidence with the societies in which they activate;
- promote the company's values in front of the employees through training programs;
- not discriminate and not sanction the individuals or institutions that warn the management team of the company's irregular practices;
- encourage business partners to apply the "OECD Guidelines";
- not involve unjustifiably in local political activities.

The European Union and the governments of the States Member OECD support the principles stipulated in the "Guidelines".

## 6. Social impact

The current global context is characterized by the emergence of a relation of forces in the economic-financial game; forces of constraint for corporations, which generate legal risks and especially reputation risks which could affect the performance, as well as the durability of multinational corporations.

With regard to multinational companies, the public opinion expresses increasing demands of transparency and responsibility. The impact of

the public opinion within the society often has repercussions in a reactive and remonstrative manner. The source of this attitude is the suspicion manifested towards the large companies. Losing confidence in the company, as an institution, is mostly caused by the painful experience of industrial mutations and workplace instability, as a consequence of the delocalization.

The role of large multinational companies is a complex one, nowadays, these companies being actors with full responsibilities in the social context. The corporations' legitimacy is conditioned by general interest criteria for the society which they cannot avoid. Peter Drucker stated: "In the society that follows, the largest challenge for a broad-reach company – especially a multinational one – will undoubtedly be its social legitimacy: its values, its mission and its vision."

Civil society acknowledges the legitimacy of the companies responsible socially and towards the environment, through various instruments: taxes, administrative authorizations, specialized notification agencies, Stock Market Indexes for social responsibility, granting awards, through labeling, etc. The Civil society has the obligation to put pressure in the sense of promoting laws, regulations and standards of excellence with regard to the corporate social responsibility.

## 7. Petrom example

For instance, within the company Petrom, through the CSR programs, expressed by the slogan "Respect for the Future!", the company is trying to take into consideration the needs of their current customers, as well as the interest of the future generations related to environment protection and to the sustainable development of the society. The company is conducting CSR projects in order to support the employees of Petrom, the Education, Sports, Environment Protection, Quality and Local Communities.

In order to support the Petrom employees, through the "Think Ahead" program there has been organized a series of information campaigns with respect to environment protection. In addition, Petrom has performed programs to inform and train vulnerable communities with respect to disasters, together

with the Romanian Red Cross. In order to support the Education, the CSR policy of the group initiated the "Petrom Olympics" project, which granted support to 1300 children and young performers in sports, art, literature, computer science, chemistry etc. by offering grants for their affirmation in nationally and internationally known competitions.

The „Respect for the Future” program aims at helping the employees and the communities become aware about responsibly using the natural resources.

In the domain of environment protection, Petrom has launched “Parks of the Future”, one of the largest projects of green spaces rehabilitation. The latter project has been awarded the highest distinction, Golden Award for Excellence at the Romanian PR Award.

The most recent award received by the Petrom project was bestowed from the European Excellence Awards in Berlin. “Parks of the Future” was nominated in the top 5 companies from the South-Eastern Europe, being selected from a number of more than 600 registered from the entire European continent.

In the context of the constant transformation and regulation of CSR, the dimension produced by its voluntary character offers an unlimited exploration space for managers in which the art of being a manager can conciliate utility, efficiency and personal fulfillment, can ensure at the same time the durability of the company and harmonizing the relations with the society.

## 8. Conclusions

Corporate social responsibility (CSR) has expanded into the business environment and does no longer represent the privilege of some pioneer companies, but has transformed into a necessity to all multinational companies that have embarked into the globalization game. The market is expanding, the responsibilities are increasing. The integration of social responsibility, as we have seen, is a complex process and which is elaborated on a long term. The economic environment is characterized by rapid transformations which require a rapid adaptation. In this context, risk management and the integration of social responsibility are essential to any company.

As we have demonstrated, CSR is not only a reactive and defensive commitment, but, first of all, proactive. Therefore, CSR becomes a space of strategic exploration, a challenge for the managers, an instrument to harmonize the companies' relationship with the environment in which they activate.

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