SOCIAL RESPONSIBILITY: SUPPORT FOR THE ECONOMIC PERFORMANCE OF ROMANIAN SMES

PhD Răzvan Cătălin Dobrea,
The Bucharest Academy of Economic Studies, Romania
razvan.dobrea@man.ase.ro
PhD Student Felicia Alina Dinu,
The Bucharest Academy of Economic Studies, Romania
alina.dinu10@yahoo.com

ABSTRACT

In a global market context characterized by permanent transformation, social responsibility became one of the major concerns of performance-oriented organizations management. The main objective of our research is to identify and quantify the correlation between socially responsible management applied to organizations and their level of performance, in order to define the theoretical and practical ways of harmonizing the socio-ecological principles with the economic ones.

The research is based on a systematic documentation on social responsibility, highlighting the tridimensional approach (economic, ecological and social), the level of national development, being included aspects regarding the objectives and possibilities for their achievement. The results presented are based on an empirical study conducted in an area of strategic importance, namely the small and medium enterprises (SMEs).

Keywords: social responsibility, SMEs, management, sustainable development

INTRODUCTION

The quality of life and the population welfare level represent concepts that, in the XXIst century cannot be addressed without taking into account the sustainable development. The society's global performance growth requires the adoption of strategies based on decisions which ensure a balance between economic growth, social equity, and efficient use of the environmental resources (Dinu 2011, 449).

The concept of social responsibility highlights the need to obtain economic success in an ethical manner with respect for people, communities and environment. This assumes responsibility before legal and commercial expectations or expectations of any other kind, that
society has towards organizations and take decisions that put to balance the needs of all those who have a role within the organization.

The European Commission (EC 2010) favors a definition for the concept of corporate social responsibility, according to which it represents - an element by which organizations integrate social and environmental concerns in their activities and in the interaction with the involved factors, on a voluntary basis.

Among the determining factors that contributed to the concept development we mention the IT revolution (Ursacescu 2009), to the globalization process and to strengthening consumer rights.

However, it should be noted from the very beginning, that social responsibility should not be seen as a simple donation of money in the context of a philanthropic event, but rather as one special way of doing business, as a style integrated in the organizations’ culture at all its operational and strategic levels, at any point in time (Dobrea 2009, 70).

**BACKGROUND AND RESEARCH METHODOLOGY**

**National Background**

Organizations management, regardless of their field of activity or size, must give proper importance to aspects regarding the socio-economic and ecological responsibility. A proper attitude towards the society and the environment is essential for long-term development of organizations but also for a region or country.

In order to sustain this type of development, for Romania there has been a definition, since 2008, for the National Sustainable Development Strategy. The purpose for subtending this strategy, was to connect Romania to a new philosophy of development, adopted by the European Union and widely shared globally - that of sustainable development (NSDS 2008).

Within the strategy’s framework, there are attempts to set specific targets for Romania’s transition to the development pattern, which generates high added value, driven by the interest in knowledge and innovation, oriented towards continuous improvement of the quality of life of people and of their relationships in harmony with the natural environment.

To highlight the national context on integrating the concept of social responsibility in Romania, we choose to present the evolution of two indicators considered with significant
importance: firstly we analyzed the dynamics of gross domestic product per capita (GDP/inhabitant), synthetic indicator through which is measure the real convergence process and the living standard. The analysis was performed based on time series for each indicator forecasts are being made based on the results obtained from the use of an econometric analysis specialized software.

According to the National Strategy objectives this indicator should overcome, in 2013, half of the EU average at that point, to get close to 80% from the EU average in 2020 and to be slightly superior to the medium European level in 2030 (NSDS 2008).

According to Figure 1 we can say that the GDP per capita forecasts highlights a strategic objectives failure.

The second indicator selected in order to the performed research relevance is the employment rate of the population (the number of persons aged 15-64 in employment as a share of the total population of the same age group).

According to Figure 2 we can say that the employment rate forecasts highlights a strategic objectives failure.
For this indicator it can be seen negative forecasts for Romania. While within EU it can be observed a growth tendency, for Romania the issue of employment is one that seems to maintain in the long term. Therefore, we consider necessary a national and regional strategies resize.

At a microeconomic level it may be noted that for the multinational corporations, the accent is laid upon the social component, in the mission of great organization being proposed and included ethical objectives and procedures for the conduct of employees, and also for partners. The same thing cannot be said about the small organizations, with a majority of domestic capital.

**Research Data base and Model**

SMEs are very important in Romania’s development, importance reflected through the many non-refundable funds granted by the EU in this economic sector. But, both the national economic system and its component organizations are at the beginning of the social responsibility and sustainability path.

The data base support of the model application was obtained through the questionnaire technique, in partnership with the management teams within the 27 Romanian SME’s. The organizations considered for the study fall into various fields of interest such as: software, marketing (market research), travel services, management consulting, accounting expertise, architecture, medical services, trade (food, chemicals, wood) or production. With a number of maximum 3 partners, for each of this businesses are working 2 up to 50 employees. The average turnover (obtained in 2010) of the group of organizations analyzed was of 380 thousand Euros, the variation being based on the specifics of each of them from a few thousand up to values of hundreds of thousands of Euros.

To analyze the impact of a socially responsible management on the organization’s performance, we considered two additional categories of social responsibility: internal and external. For an easier understanding we present the following scheme:
Pointing out the intercorrelation between the organization’s performance and the importance given by management to this concept of responsibility we proposed to be achieved through the following model:

\[ PI = a*ISR + b*ESR + u \]

Where:  
- PI – performance indicator  
- ISR – internal social responsibility  
- ESR – external social responsibility  
- a,b – coefficients (show the intensity of the influence)  
- u – random variable

In the category of social responsibility indicators within the organization, we consider that we must give high priority to human resources, both in terms of implementing some strategies capable to insure employee loyalty and also on supporting the undertaken actions with social character. Actions in this regard are those related to ensuring access to education and training, supporting the actions of reconciliation between work and social life. This category includes indicators such as:

- The importance given to the principles of social responsibility and efforts to include them in the organization’s strategy;  
- The degree of fluctuation of employees;  
- The importance given to improving the working conditions and their costs;  
- Resources allocated for employee training;;  
- Aspects on minimizing the impact of activities undertaken by the organization on the environment and on natural resources.

For the external dimension we consider:
- The relationship with the authorities on the importance given to respecting the law, but also of some potential partnerships;
- Ways to support the communities development where they operate;
- Relationships with players from the external environment: suppliers, customers, competitors, consultants;
- The support given to the development of local economic systems, by closing partnerships with local distributors;
- Abidance with the human rights;
- Issues regarding the protection and encouragement for protecting the environment at a global scale.

RESULTS AND DISCUSSIONS

ISR Results
The obtained results based on the discussion with the representatives of the analyzed organizations, indicate a great importance given to the strategy for the ongoing success of their activity. Only for four of the respondents the strategy represents a medium importance element, for the others, at a declarative level this is important and very important.
Although formulating and implementing of a strategy it is theoretically considered necessary for each business, practically only 60% of firms taken into account have currently defined a strategy (Figure 4). The main reason for which 11 of the organizations analyzed don’t have a strategy is, according to their management statements, the small number of employees. We consider their attitude to be wrong and the real degree of comprehension of the concept low.

Strategy

Figure 4: Defined strategies proportion
All enterprises for which there exists a defined strategy have declared the fact that within the strategy some elements regarding social responsibility are included, such as: reducing energy consumption, human resources development or developing good relations with the stakeholders (Figure 5).

Under the mark of the same overvaluation, the management of all the analyzed organizations has knowledge in the social responsibility domain of at least average level (only 5) most claim a good or very good knowledge of the concept. Although they don’t even have defined a general strategy, much less one based on social responsibility elements, all surveyed organizations integrate within their activity economic, legal and ethic responsibilities. The fourth dimension of the responsibility pyramid (Carroll 1991) is implemented by only 5 of these organizations. Their philanthropic actions represent, in fact, the only type of program (responsabilitatesociala.ro 2010) specific to the social responsibility used. The average annual amount allocated by an organization for implementing this instrument is about 700 euro.

The internal social responsibility from the analyzed organizations has been studied also by observing some elements related to the HR. Thus, at a declarative level, the employees are considered to be important and very important for the success of each of the 27 organizations. Basically, only half of them give financial support for employee training, the average amount spent annually for this purpose lying below 1000 euro (Figure 6). What we can notice is that, those businesses for which it exists a defined strategy that includes social responsibility, have also a human resources policy.
Good correlation between personal and professional lives of the employees is mainly accomplished by granting time off to attend private events, only in 9 of these enterprises being provided also expenses for gifts and parties dedicated to the employees. One of the strengths of the human resources category, specific to all analyzed enterprises, is the employee stability, fluctuation during 2010 is null for almost 90% of the organizations.

A great attention is given, however, to quality management, the use of specific standards is considered to be very important within all the analyzed organizations. At the same time the respondents claim that usually in achieving the organization’s activities the amount of resources used and waste elimination are taken into account.

**ESR Results**

Regarding the elements specific to the external social responsibility, all 27 SMEs have declared good and very good relationships with the external stakeholders (authorities, customers, suppliers). Due to the development of the activity based on firm contracts signed, customer loyalty is considered at a rate of 70% from most of the businesses analyzed. However, the partnership with the suppliers or customers is the only type of partnership for all analyzed businesses; none of the businesses develop public-private partnerships.

Philanthropic actions are the only type of external social responsibility program used, within the 5 analyzed businesses. The average annual amount allocated for the implementation of this instrument is of approximately 700 Euros.

In carrying out these activities of these businesses the degree of taking into account the elements of environment protection varies, most of them claiming that usually they take into
account the ecological side, some are always careful about this aspect and the least only sometimes. The main ways through which one tries to respect the principles of environmental protection are shown in Figure 7.

![Figure 7: Environment protection](image)

**Performance and Social Responsibility Interrelated Model Results**

In today’s economy, the performance may be considered that state of competitiveness of the company reached through a level of effectiveness (the level at which it is capable of satisfying the expectations of social partners) and efficiency (the ratio between the obtained results and the allocated resources) which ensure a sustainable presence on the market. Performance is success, competiveness, achievement, action, continuous effort, optimization of present and protection of future (Albu & Albu 2007).

The questionnaire answers reveal the following indicators for assessing businesses’ performance: turnover, net profits and rate of return on assets.

![Figure 8: Performance indicators](image)

Note that net profit is targeted by the management of all analyzed businesses and about 30% are interested in both net profit and turnover. It should be noted also that those businesses that
give importance also to the Return on Assets (ROA) are from the category of businesses that implement a strategy that includes also elements of social responsibility. Therefore, we can say that, a proper management, based on a strategy and a concrete vision chooses to measure the real performance of the business conducted, that can be the basis for a sustainable growth.

So, to highlight the influence of ISR and ESR on ROA in Romanian SMEs, we’ve studied the results of a simple regression model, whose equation is:

$$\text{ROA} = a \cdot \text{ISR} + b \cdot \text{ESR} + u$$

In order to establish the type and the intensity of the link between the eco-financial performance and each of the two complementary categories of social responsibility, the respondents gave each indicator considered a coefficient of importance. Thus both the aggregate indicator associated to internal responsibility, and the one of external social responsibility can have a maximum value of 25. The classes for each quantified indicator are (Table 1):

**Table 1: Quantified indicators (authors 2011)**

<table>
<thead>
<tr>
<th>Internal social responsibility</th>
<th>Class</th>
<th>Class</th>
<th>Class</th>
<th>Class</th>
<th>Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Strategy importance</td>
<td>Unimportant</td>
<td>Less important</td>
<td>Average importance</td>
<td>Important</td>
<td>Very important</td>
</tr>
<tr>
<td>2. Understanding the SR concept</td>
<td>Not at all</td>
<td>Very little</td>
<td>Average</td>
<td>Good</td>
<td>Very good</td>
</tr>
<tr>
<td>3. Employees importance</td>
<td>Unimportant</td>
<td>Less important</td>
<td>Average importance</td>
<td>Important</td>
<td>Very important</td>
</tr>
<tr>
<td>4. Employee training</td>
<td>&lt; 1000 euro</td>
<td>1001-5000 euro</td>
<td>5001-9000 euro</td>
<td>9001-13000 euro</td>
<td>&gt; 13000 euro</td>
</tr>
<tr>
<td>5. Quality management</td>
<td>Unimportant</td>
<td>Less important</td>
<td>Average importance</td>
<td>Important</td>
<td>Very important</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>External social responsibility</th>
<th>Class</th>
<th>Class</th>
<th>Class</th>
<th>Class</th>
<th>Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Authorities relationship</td>
<td>Unsatisfactory</td>
<td>Satisfactory</td>
<td>Moderately satisfactory</td>
<td>Good</td>
<td>Very good</td>
</tr>
<tr>
<td>7. Customers relationship</td>
<td>Unsatisfactory</td>
<td>Satisfactory</td>
<td>Moderately satisfactory</td>
<td>Good</td>
<td>Very good</td>
</tr>
<tr>
<td>8. Suppliers relationship</td>
<td>Unsatisfactory</td>
<td>Satisfactory</td>
<td>Moderately satisfactory</td>
<td>Good</td>
<td>Very good</td>
</tr>
<tr>
<td>9. Amount of philanthropic activities</td>
<td>&lt; 300 euro</td>
<td>301-500 euro</td>
<td>501-700 euro</td>
<td>701-900 euro</td>
<td>&gt; 900 euro</td>
</tr>
<tr>
<td>10. Including the environment protection in the business’ activity</td>
<td>Never</td>
<td>Rarely</td>
<td>Sometimes</td>
<td>Usually</td>
<td>Always</td>
</tr>
</tbody>
</table>
In order to include in the model the variables it was necessary its transformation into a quantitative variable. The scale used is shown in Table 2.

Table 2: Scaling variable (authors 2011)

<table>
<thead>
<tr>
<th>Category</th>
<th>Unimportant</th>
<th>Less important</th>
<th>Average importance</th>
<th>Important</th>
<th>Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>Unimportant</td>
<td>Less important</td>
<td>Average</td>
<td>Important</td>
<td>Very good</td>
</tr>
<tr>
<td>&lt; 1000 euro</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Unsatisfactory</td>
<td>Not at all</td>
<td>Very little</td>
<td>Average</td>
<td>Good</td>
<td>Very good</td>
</tr>
<tr>
<td>&lt; 500 euro</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Never</td>
<td>Not at all</td>
<td>Rarely</td>
<td>Sometimes</td>
<td>Usually</td>
<td>Always</td>
</tr>
<tr>
<td>&lt; 300 euro</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Associated value</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

In highlighting the existing influence, we estimated the model’s parameters. Before of this stage we excluded the series outliers, characterized by a very low return caused by the year 2010 specific economic conditions, but with a correct vision and strategic orientation.

The method used for estimating the parameters is Least squares (results obtained by using an econometric analysis informatics program), method chosen due to the model’s validity (Fisher test - Prob(F) value smaller than 0.05) and for meeting the assumptions for error autocorrelation (Durbin-Watson statistics - by comparison between the limits from the Durbin-Watson table and the statistical Durbin-Watson value), and normal distribution of the residue (Jarque-Bera test - Jarque Bera Probability value of 0.43).

To test the significance of the slope we applied t-Student test (statistical test applied in order to establish the meaning of the parameters for a regression model). The hypotheses of the test are: $H_0: a=b=0$ (the slope of the regression line doesn’t differ significantly from zero, which is equivalent to saying that, the regression model is not significant) and $H_1: a, b\neq 0$ (the slope of regression line differs significantly from 0). In case of a coefficient probab=0.05, so we can affirm with a probability of 95% that this one is statistically significant. The parameter b, having a significance threshold of 0.3, we can say only with a probability of 70% that the ESR aggregate indicator might be included in the model.
Thus, the equation model resulted:

\[ \text{ROA} = 3.2 \times \text{ISR} + 1.6 \times \text{ESR} - 61.3 \]

We can draw out from analyzing the results that at the 1 growth of the ISR aggregate indicator, ROA grow with 3.2%, and at the growth of the ESR conventional aggregate indicator with 1 value point, ROA grow with 1.6%. According to the determination report \( R^2 \) we can say that, 52% from the dispersion of the ROA variable data series can be explained through those two complementary aggregate factors.

The detailed analysis of the component elements of the two social responsibility indicators classes denote different levels of each element considered influence degree on analyzed entities performance.

Among the indicators of internal social responsibility, the most influential is the one specific to the strategic approach. Discussions in this regard have been presented in the previous section. Another element with a significant positive influence is related to quality management. The degree of knowledge of the concept of social responsibility and importance granted to the employees have less influence, due to the answers subjectivity to these questions, and the existing differences between the declarative level and the real level, practically reflected in the managerial style. The only indicator with a negative influence is the cost for training employees, these still being just an expense not reflected in the business activity. The results for training the employees will or should appear in the future activity of each business.

In the category of external social responsibility indicators, revealed influence is provided by philanthropy and also care for the environment. The specific elements for the external stakeholders’ relationship are also important, but for the analyzed sample, the existence of some firm contracts with both the suppliers and also with the clients within most enterprises, led to the impossibility to significantly differentiate based on this aspect, of the 27 SMEs.

**CONCLUSIONS**

The research results revealed that the analyzed SMEs are still on track in terms of social responsibility and are willing to do something in this sense. In particular, a good correlation of the performances with the social responsibility elements can be seen within leading
businesses areas, where the economic crisis effects haven’t been significantly felt, such as software and audit. In those areas is correctly understood that and a proper implementation of the social responsibility concept it is attempted through its integration into the business’ culture and vision. At the opposite end stands the businesses that claim a good knowledge of the concept, but don’t prove a correct implementation. There are businesses in which the managers declare that they can’t afford within the current economic conditions to support this concept within their businesses.

It’s true that benefits of CSR capture many aspects. But, as any approach includes both advantages and disadvantages, costs of CSR cannot get out of the equation. The representatives of the analyzed businesses believe that a socially responsible management influences businesses’ performance through an improved relation with stakeholders, an increased employee motivation and productivity, an improved market image, but also an increased cost (Figure 9).

![Figure 9: Social responsibility impact](image)

The intentions for short term development of the social responsibility principles within the analyzed businesses are presented in Figure 10.

![Figure 10: Short-term socially responsible vision](image)
In implementing a CSR program is required the comparison of long-term benefits generated with the costs involved. The organization's profitability and its efficiency may be affected by the social programs in which it is involved. If the organization does not maintain its mission, objectives and goals, promoted social programs may affect the smooth running of the organization. At the same time the lack of public interest is another social involvement cost.

Also, one of the main highlighted problems is that of consumer and employee education and behavior. The two questions on which we intend to come back in a future study are: Is the Romanian consumer prepared to appreciate or to sanction the organizations considering the social responsible action of these businesses? and Are the employees capable to appreciate and capitalize appropriately social responsible management? If the answer for these two questions is negative, why would a company increase its costs without obtaining a sustainable growth for profitability and competitiveness?

ACKNOWLEDGEMENTS

This work was supported by CNCSIS-UEFISCSU, project number PN II-RU 653/2010.
This work was cofinanced from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007-2013, project number POSDRU/107/1.5/S/77213 „Ph.D. for a career in interdisciplinary economic research at the European standards”.

REFERENCES


