

# **Corporate Social Responsibility in the Transition Economy of Romania**

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## **List of abbreviations**

ADRA – Adventist Development and Relief Agency

ARC – Association for Community Relations

ATC – Agreement on Textiles and Clothing

BSCI – Business Social Compliance Initiative

CCIR – Chamber of Commerce and Industry of Romania

CED – Committee for Economic Development

CEO – Chief Executive Officer

CG – Corporate Governance

CSP – Corporate Social Performance

CSR – Corporate Social Responsibility

EC – European Commission

EEO- Equal Employment Opportunity

EU – European Union

FDI – Foreign Direct Investment

GDP – Growth Domestic Product

GFC – Global Financial Crisis

HR – Human resources

IBLF – International Business Leaders Forum

ILO – International Labour Organisation

IMF – International Monetary Fund

ISO – International Standards Organisation

ITMF – International Textile Manufacturers Federation

MNC – Multi-national Corporations

NGO – Non-government Organisation

NPO – Non-profit Organisations

OECD – Organisation for Economic Co-operation and Development

OHS – Occupational Health and Safety

OHSAS – Occupational Health and Safety Assurance Standard

R&D – Research and Development

RBA – Reserve Bank of Australia

RQ – Research Questions

SME – Small and Medium-sized Enterprises

T&C – Textile and Clothing

UNDP – United Nations Development Program

UNWCED – United Nation World Commission on Environment and Development

WB – World Bank

WBCSD – World Business Council for Sustainable Development

WTO – World Trade Organisation

WWI – World War I

WWII – World War II

## **Abstract**

The purpose of this research is to identify the sense making of the concept of Corporate Social Responsibility (CSR) by managers of Romanian organisations in the textile industry. The research examines how managers' sense making affects the adoption of CSR processes compared to those suggested in the CSR literature. The thesis looks at how Romanian managers and consequently their companies interpret the business environment in which they operate and how the managers' personal capacity to make sense of CSR, without recourse to a realistic and rational appreciation of CSR concepts in the literature, results in a particularly distinctive approach to implementation. Elements of CSR theories are selectively applied by Romanian managers. These are identified and are related to the process of CSR adoption. The research's main contribution is an explication of the various factors that limit managers' sense making which in turn affects the process of CSR adoption in a country with an economy in transition.

## **Chapter1. Introduction**

One of the main challenges which the world currently faces is the Global Financial Crisis (GFC). Many commentators claim that the GFC is the result of irresponsible and fraudulent behaviour of the managers of corporations and their questionable business practices (Crotty 2009, p. 2; Cox, et al. 2009, pp. 263–265; Bathula et al. 2011, p. 3).

The devastating bankruptcies of WorldCom, Enron, Parmalat, and the financial crisis of the banking system (Lehman Brothers behind Goldman Sachs, Morgan Stanley and Merrill Lynch) in the United States contributed to the Global Financial Crises which increased public awareness and demands for businesses to be more socially responsible (Aguilera et al. 2010, p. 486). However, many international institutions consider Corporate Social Responsibility (CSR) a top priority for the international community, in order to prevent such events from happening again.

In this complex economic environment, international institutions such as the World Bank, the European Union, and the OECD have developed special programs for developing countries, including Romania, to enhance their CSR capacity and thus integrate them into the wider European and global economy. In these circumstances the purpose of this research is to identify Romanian managers' CSR sense-making systems and the rationality of CSR adoption by Romanian organisations from the textile industry which represented in 2005, 34 per cent of Romania's total exports. The researcher looked at the development of the CSR concepts in the US, UK, and Western Europe and how these concepts penetrated the Romanian economy in order to understand this phenomenon. A theory of CSR adoption will be built which will be the theoretical contribution to the body of CSR knowledge of this research. The following section will review the literature which has had a significant impact on CSR development in the US, UK and Western Europe, and aim to identify similarities and differences in CSR elements present in the Romanian economy which will explain the level of CSR understanding and adoption.

## **Chapter 2. The Evolution of CSR**

### **2.1 Introduction**

The purpose of this chapter is to trace the development of corporations in the UK and the US and the evolution of community responsibility to social responsibility (SR) up to the modern concept of corporate social responsibility (CSR). Despite extensive searches the researcher has found that there is no universal definition of CSR but it seems that Carroll's (1979, 2008) CSR definition is mostly used.

In this research CSR is considered as being the management process embedding social, economic and environmental factors in the decision making process and which involves all stakeholders with the purpose of general prosperity. In this light corporate philanthropy is considered as a CSR activity and will be defined as a voluntary donation of financial or material resources to NGOs or community organisations. In broad terms philanthropy may include voluntarism (staff donating their time) and advertising support.

However, the CSR journey was not always a smooth one and CSR has been harshly criticised, ignored or presented as a better way of managing businesses and societal issues (Carroll, 2008).

### **2.2 Context of Social Responsibility development**

Elements of communal responsibility have been present in countries with different social structures, acting in different historical and economic conditions, from a very early time. One can say that the concept is as old as commerce itself.

CSR originated with the Industrial Revolution in the eighteenth century. This technological revolution created a spectacular increase in productivity which required a new type of business organisation with new management strategies. New born companies with 'limited liability' unlocked the way for corporations. The creation of this new economic entity was stimulated by managers and owners who limited their liability to the level of their part of the ownership in the organisation, protecting the other owners or managers' assets from financial indebtedness (Jonathan, 1995). Simultaneously this new type of economic entity generated intense debate over their

power and their influence in society. This seemed to be the time when ‘communal responsibility’ evolved from responsibility for a small community, to social responsibility as a responsibility for the society as a whole.

Even in their early stages, corporations created tension between employees, shareholders and corporate officials’ on one hand, and on the other, between corporations and the society and is central to arguments about where a company responsibilities lie.

In this early stage of the development of corporations, their main concern was oriented towards improving employees’ working conditions as well as profit making. The question remaining is, was this development a consequence of employees increased demands, a necessity to achieve an organisation’s objectives (the required profit level), or most plausibly, a combination of these two options? It is hard to establish, both then and now, whether this action is a purely altruistic initiative which can be catalogued as a social responsibility, or whether their actions were oriented to increase employees’ productivity and loyalty, which is a business decision (Carroll, 2008). Importantly this perspective can be extended to Romania’s present business and managerial model where managers show increased concerns for workers’ wellbeing and working conditions (Korka, 2004, 2005; Stoian et al, 2009; Stanciu, 2011).

The criticism of corporations, especially in the UK and US, was related to the employment of women and children and excessive poverty which generated numerous social problems. The inequity existing in gender labor systems of the time was amply presented by Lerner (1969, pp.6-7) who found women performing exhausting and degrading work with negative consequences on their families. In 1844 in the UK, the general laws against child labour were introduced by the Factory Acts but child labour continued in the US and Europe until the late nineteenth century. The mass protests in the UK and especially in America demanded businesses take on board more social responsibilities (Van Fleet and Wren 2005, pp.46–47) as was the case with The Homestead Strike in 1892 and The Pullman Strike in 1894.

At the end of the nineteenth century the concern for society, and in particular for employees’ wellbeing, contributed to the rise of philanthropy (Wren, 2005, pp.109–110). Philanthropy was a logical continuation and an elevation of a longstanding

phenomenon of individual and church, or religious, based philanthropy which was also observable in other (European) countries. Intense debate over the legality of corporate philanthropy was stimulated which continued for a few decades. Slowly management philosophy embedded corporate philanthropy as a mean of improving industrial relations and developing the society at large (Wren, 2005, pp.114-115; Carroll, 2008). Carroll (2008) asserts that philanthropy had a 'central role' in CSR development for the period analysed.

CSR development during the industrial revolution and the pre-history of philanthropy revealed similarities in CSR development in Romania and the sense given to CSR concepts.

### **2.3 Philanthropy and the rise of CSR**

In the second part of the eighteenth century, Britain was the first country to develop their industry and was the 'pillar' of world economic development. This economic boom created in the US large new organisations which evolved into corporations with huge economic power. Alongside the benefits created by these corporations, such as jobs and the mass production of industrial goods, they brought in enormous social issues for which the governments and society was not prepared. In 1884, the US President Rutherford Hayes made the following prophetic statement which shows the enormous extent of corporations' power which was used for self-interest, disregarding the interests of individuals and communities. It also shows how little corporations' attitudes have changed since then:

This is a government of the people, by the people and for the people no longer. It is a government of corporations, by corporations, and for corporations (Howard 1884, p. 144).

Regardless of capitalism's vicious aspects, there were a few remarkable tycoons who evaluated the impact of their own companies on society and went on to become the greatest philanthropists of all time, such as Andrew Carnegie, John Davison Rockefeller and, later on, Bill Gates, Warren Buffet and George Soros. The latter is involved in Romania. Currently there are voices which strongly criticise the contemporaneous



philanthropic organisations for their lack of transparency and accountability in the decision making process (Karoff, 2004).

The philanthropic phenomenon had a slightly different development in Europe being strongly influenced by different philosophical schools and their representatives, such as Karl Marx who strongly rejected the classical economic view of Adam Smith and Robert Owen and offered a new social system with values for everybody. His social philosophy had an enormous influence in all of Europe and the US, causing the governments to rethink corporations' social responsibility in relation to labour rights, safety, working conditions and communities. Ultimately the Marxist social equality theories, which materialised in the development of the socialist system in a number of countries, collapsed—but the spirit of philanthropy survived in newly formed democracies.

Following the European countries and the rest of world, philanthropy is no stranger to Romanian society, but little has been written about this aspect of its history. The scarce Romanian literature links the philanthropy to commerce and religious institutions and had a sinuous development with peaks during, and between, WWI and WWII (Ioanid 1984). The philanthropic phenomenon was suddenly reduced to nearly zero after the socialist party took power and installed the so-called 'socialist welfare state'. Today there are non-government organisations (NGOs) which, in cooperation with international charity organisations, are active in Romania according to the International Personal Finance Report (2010). This shows that the growing philanthropic activities in Romania follow a similar trend to the rest of European countries, have historical roots and have influenced managers' actions towards employees, the environment and society of which their organisations are a part.

Worldwide many organisations voluntarily adopt philanthropy and ethical behaviour (which are recognised as CSR elements) as a definition of their reputation and in return they gain the licence to operate in sustainable ways. As the CSR concepts mature and became more sophisticated, many corporations move from philanthropy to volunteering as a new trend in fulfilling community needs. Corporate voluntarism is another form of philanthropy which opens new fields for corporate social responsibility, especially in developing countries. A deeper view of the philanthropic phenomenon was developed

by Mauss<sup>1</sup> (1967), Bataille<sup>2</sup>(1988) and Baudrillard<sup>3</sup> (1998) and the development of the topic exceeds the purpose of this research.

## 2.4 The Development of CSR in the West

Analysing CSR development in the West is important and later assisted the researcher to identifying similarities and differences between CSR development in Romania and CSR historical development.

Evidence of embryonic CSR elements can be identified as early as the 1930s, the period of the Great Depression in US, which was characterised by the deterioration of economic conditions and massive protests. These led the US government to adopt several new acts (Wagner Act, Social Security Act, Fair Labor Standards Act) with the objective of improving working conditions, the quality of life and social security. These acts increased companies' social responsibility and simultaneously can be considered the first recognition of companies' social responsibility at the government level.

CSR research is able to identify, for the first time, elements of social responsibility dating back to Chester Barnard's (1938) writing, *Functions of the Executive*<sup>4</sup>. This writing presented in a coherent form executives' descriptions of their social 'obligations', their companies' responsibilities regarding the decision making process and the alignment of company policies with social values and objectives.

Corporations' development extolled the growth of the concept of Corporate Social Responsibility, or Social Responsibility as it was named at that time. Howard Bowen (1953) has been credited as first using the expression 'corporate social responsibility' in

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<sup>1</sup>Marcel Mauss (1872–1950) was a French sociologist. He argued that gifts are never 'free'.

<sup>2</sup> Georges Bataille (1897–1962) was a French philosopher. He arguably created the theory of consumption.

<sup>3</sup>Jean Baudrillard (1929–2007) was a French sociologist, philosopher, cultural theorist and political commentator. He was a social theorist whose views included consumerism, gender relations and a social understanding of history.

<sup>4</sup> Barnard, C.I. (1886–1961) was an American business executive, public administrator, and the author of a pioneering work in management theory and organizational studies. His landmark 1938 book, *Functions of the Executive*, sets out a theory of organizations and of the functions of executives in organizations.

his landmark book, *Toward Social Responsibilities of the Businessman*. Bowen sought to answer the question: 'what responsibilities to society can business people be reasonably expected to assume?' He also offered the first definition of the concept of corporate social responsibility by stating that:

it refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society (Bowen 1953 p. 48).

In the 1950s, American society went through significant changes as the big corporations took the place of small businesses and mass production started to be widespread. Mass production brought in consumerism, as this Tesco advertisement encourages 'Every little help. The price is dropping on your weekly shopping', and with it two negative effects: encouragement to overspend, and a negative impact on the environment (Norton 2010).

The 1960s brought in new business related issues such as those related to product safety, worker's safety, equal employment opportunity, and some of the environmental issues which could be considered as the company's responsibility. Archie B. Carroll (1999, p.270) assessed this period as one that 'marked a significant growth in attempts to formalise, or more accurately, state what CSR means'. Davis, for example, states CSR's business case: 'some socially responsible business decisions can be justified by... having a good chance of bringing long-run economic gain to the firm...' and extended the CSR meaning by adding businesses ethical concerns. In this period of time, an organisation's CSR activity was expected to 'contribute to economic development by improving the quality of life of the workforce and their families as well as of the local community and society at large' (World Business Council for Sustainable Development).

Another scholar of the period is William C Frederick who concluded by saying that CSR is 'a willingness to see that those resources are used for broad social ends and not simply for the narrowly [organisations'] circumscribed interest'.

We can see that the 1960s was the decade in which the understanding of CSR was refined creating opportunities for the further development of new concepts.

The CSR concepts were strongly marked, in the 1970s, by Milton Friedman's<sup>5</sup> (1970) view of corporate responsibility stated in his paper 'The Social Responsibility of Business is to Increase Its Profits' which generated intense discussions in academic circles and was 'a major contribution to the development of the corporate social responsibility theory' (Lucas, Wollin and Lafferty 2001, p. 150). Friedman's views are mostly based on classical economic concepts of a free market as was written by Adam Smith, as he declares. Friedman (1970, p. 2) rejects the idea of any enterprises' social responsibility stating:

few trends could so thoroughly undermine the very foundation of our free society as the acceptance, by corporate officials, of a social responsibility other than to make as much money for their stakeholders as possible (Friedman 1970, p.3).

Many of Friedman's contemporary scholars did not agree with his views. McAleer (2003, p. 450) stated that Friedman's opinions were wobbly and his views blurred. Oketch (2004, p.5) says of Friedman's views: 'Today, many would not be comfortable with such a profit-oriented statement'. Even though they err, Friedman's views are stepping stones in CSR history and had a vast influence over the development of new CSR theories.

In this period of time, Sethi (1975) created the concept of 'Corporate Social Performance' measured by meeting the following societal responsibilities: (a) social obligation, (b) social responsibility, and (c) social responsiveness.

To conclude, one can say that the 1970s were marked by the imposition on organisations of much harsher legal liabilities than ever before. But at the same time there were many cases of increased product liability and injuries associated with them. In this context, the large corporations shifted their operations into countries with more relaxed legislation, which contributed to major accidents such as the Bhopal case in India and ecological disasters such as the Exxon Valdez oil spill.

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<sup>5</sup> Milton Friedman (1912–2006) was an American economist, statistician, a professor at the University of Chicago and the recipient of the Nobel Prize for Economics. Among scholars, he is best known for his theoretical and empirical research. He was an economic advisor to US President Ronald Regan.

In the 1980s, the CSR concepts were enriched by R Edward Freeman who elaborated the Stakeholder Theory (Windsor 2001; Post 2003). Freeman (1989, pp. 97–106) asserted that achieving stakeholders' requirements is the principal purpose of CSR and nominated most of an organisation's stakeholders. Key (1999, p. 317) pinpointed some limitations of the stakeholders theory and claimed that Freeman's theory, as described, applied only to the external environment and neglected some important components, such as: CSR1 (responsibility), CSR2 (responsiveness) and CSR3 (rectitude), defining all of them.

In the 1990s the research was a '... focus on developing new or refined definitions of CSR [which] gave way to research on CSR' (Carroll 1999, p. 284). At the beginning of this decade Wood (1991) redefined Seth's (1975) concept of CSP and repositioned it in the broader body of CSR knowledge. She looked at CSP from the point of view of 'performance' (Carroll 1999, p. 289).

The Exxon Valdez oil tanker accident and the resulting ecological activism triggered legislation change in US and many international organisations tightened their legal requirements. As a result, in the 1990s, the World Commission on Environment and Development published The Brundtland Report, which brought into the main stream of CSR debate the concept of environmental and sustainable development. The Report defined the concept as:

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs (World Commission on Environment and Development, Chapter II, p. 1).

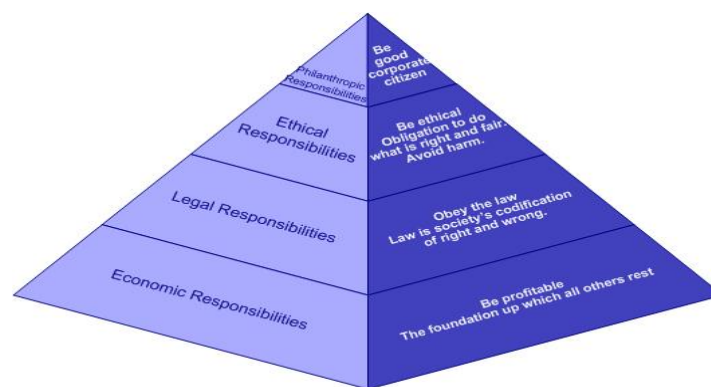
The Report established the main elements of sustainable development which recognised the following two principles:

1. Recognising the needs of the world's poor communities. This should receive an overriding priority.
2. Recognising the technological limitations and the social organisation's limitations on the environment's ability to meet present and future needs.

The sustainable development concept is meant to promote corporations' ethic behavior in society, as well as minimizing the environment destruction. Many academics, researchers and politicians consider the report as a point of reference in our understanding of the environment, the economy and social well-being (Orlitzky, et al, 2012).

The CSR concepts were enriched by a number of other connected concepts such as: Corporate Social Performance (CSP), stakeholder theory, business ethics and corporate citizenship (Carroll 1999, p. 288).

Summarising the 1990s CSR discourses, one could say that these discourses served as a forum for measurements of CSR theoretical development. New research fields are revealed in the area of sustainable development, Corporate Governance and Corporate Social Performance. Carroll assessed that, in the 1990s, CSR concepts are well anchored in business language and are useful directions to be explored by businesses, connecting CSR theoretical development with management practice and public expectations. Carroll's summary of the CSR development was illustrated in CSR pyramid which at the time was uncontested and clarifies companies' responsibilities (Figure 1).



Carroll's CSR Pyramid

**Figure 1: The pyramid of corporate social responsibility**

Source: Carroll (1991) – The pyramid of corporate social responsibility, p42

This status quo did not last for long. In 2010, Wayne Visser in his book *The Evolution and Revolution of Corporate Social Responsibility*, showed some limitations of Carroll's pyramid and offered an alternative to the profile of a business including

spiraling, interconnected, and non-hierarchical levels of the CSR elements (see Figure 2).



**Figure 2 CSR: a new interpretation**

Source: Visser, W, 2010, *The Evolution and Revolution of Corporate Social Responsibility*.p.231

It is worthwhile mentioning here O’Rourke’s stakeholders’ theory and his perception of the influence of environmental activism over the shareholders as primary stakeholders (O’Rourke, 2003, p.228).

An overview of CSR development shows that the specific CSR language and concepts ultimately evolved which leads us to the conclusion that CSR concepts will continue to develop in connection with organisational theory and community development as a whole (Carroll, 1999, p.293).

### **2.5 CSR in the new Millennium**

At the beginning of the new millennium, Scherer and Smid (2000, p 353) assessed that multinational corporations (MNCs) should take responsibility for the improvement of world-wide social and environmental conditions but struggled to classify the motivational factors for CSR adoption. Husted & Salazar (2006, p.76) identified as factors of CSR adoption altruistic and egoistic motivations; Driver (2006, pp. 341–343) viewed the corporation as an egotistical ‘self’ using CSR as instrumental factor in maximising the revenue.

At the beginning of the 21<sup>st</sup> century, CSR discourses entered into a new trend, shifting away from the supremacy of US discourses and becoming open to international

participants. Many European researchers and academics identified CSR concepts in their countries' economic conditions, as is the case of emerging economies in East European countries like Romania. In contrast with the strongly pro-CSR Anglo-Saxon view, these new researchers, such as Maignan and Ralston (2002), found that organisations in France, Belgium, the Netherlands, Spain and Italy did not show the same enthusiasm for CSR as their American counterparts. However, the European organisations adapted CSR concepts to fulfil their organisations' and communities' needs. In these circumstances there is a positive expectation that the Romanian organisations' view of CSR will be more strongly influenced by the EU view of CSR, as a consequence of EU integration, than that of the American CSR view. The European researchers' contribution is less academic or theoretical (less oriented to develop new concepts) and has mostly a pragmatic character, oriented towards adapting the body of CSR knowledge to the European economic, social and cultural conditions.

To explain these differences, Matten et al. (2004) identified, for example, specific differences in organisations' welfare systems such as health care insurance (as an expression of an organisation's CSR). Health care insurance is compulsory in Europe and the cost is split between employees and the government compared with their American counterparts where the employees pay a premium. In other words, in European countries the governments took over some employment responsibilities which is a consequence of their historical development of industrial relations and, therefore, there is no need for organisations to fill in the gap.

Matten (2008, pp.6–7) explains why CSR is applied and entrenched in the relationship between organisations and society differently in the US than in Western European countries in the following way:

a main element of transatlantic [CSR] difference lies in the *institutional framework*, both on the level of informal institutions such as values and beliefs in society as well as on the level of codified rules and norms which are part of the mandatory legal framework of corporate activities.

Moreover, Matten (2008, p.9) explains his view of the definition *explicit* and *implicit CSR* as a base for explaining differences in understanding and applying CSR. In his view *explicit CSR* refers to: voluntary policies, programs and strategies assumed by



organisations to address social responsibilities which are publicly stated; and *implicit CSR* refers to the entire array of *formal and informal institutions* assuming shared social responsibilities, which is mostly the case in Europe. It seems that in European CSR discourse, there is not such a categorical differentiation of CSR meanings as created by Matten (2008), which was mainly created to explain the differences between US and Western European CSR practice (Matten, et al., 2008, p.10).

In this period, one important contribution of European researchers to the body of CSR knowledge was that of Garriga and Mele (2006), who actually mapped the CSR territory, clustering the theories and organising them into four major groups: instrumental theories, political theories, integrative theories and ethical theories. The instrumental theories stated that CSR was an instrument used to ‘maximise stakeholders value’, to create a competitive advantage (Porter and Kramer 2002) in corporate marketing or corporation branding (Murray and Montamary 1986). The political theories stated that corporations not only had economic power, but also political power which they exercised in order to gain economic advantages. The theory of corporate constitutionalism (Donaldson & Dunfee 2000) and the theory of corporate citizenship viewed corporations as good citizens and who acted accordingly (Wood & Lodgons 2002). These theories gave CSR legitimacy and saw the corporation’s relationship with the community as a partnership.

Garriga and Mele’s integrative theories basically viewed community needs and demands as legitimate and looked to integrate them into a corporation’s management philosophy, known as the issue management theory (Akerman, 1973; Vogel, 1986) or by extending this view to all of organisation’s stakeholders, the stakeholder management theory (Freeman 1978; Ogden & Watson, 1999). Some of these theories analysed how well community needs and demands were satisfied and generated the theories known as corporate social performance (Carrol, 1979; Wood, 1990) which linked this performance with an organisation’s ability to survive.

According to Garriga and Mele’s understanding, CSR ethical theory promotes the fairness principle in the informal contract that exists between a corporation and the community (Freeman, 1994) and which also has to integrate universal human rights (UN Global Compact, 1999). The ethical theories incorporate obviously the sustainable

theory (Brundtland 1987) and the businesses principle of the ‘right thing to do’. The communitarian approach, or the common good view, states that all businesses, as with any other social group, have to contribute to the common good of the community (Daly, 2000).

Devinney (2009) has a practitioner point of view of CSR and classifies organisations’ as ‘good’, efficient, or the best instrument in determining social needs and delivering social solutions; ‘bad’, if corporations use CSR as a means of power exercised in their own interests; and ‘ugly’, if CSR is profit driven and has no clear separation between organisational CSR activities and organisational performance. He concludes that CSR does not hurt performance, but there is no reason to believe that CSR leads to supra-normal benefits. A synthesis of Devinney’s (2009) view in Table 1 shows:

Table 1 Devinney’s CSR views:

<b>CSR as a social policy instrument (good):</b>	<b>CSR as an economic purpose not as a socially optimal role (bad):</b>
Organisations with adequate practices, which include CSR, will have many happy customers, employees, owners, and will record prosperity.	CSR is not, and should not be, the reason for an organisation’s activity. Organisations should maximise their business outcomes in the interests of owners and shareholders and later use CSR as they wish.
Organisations are much more experienced than individuals and governments to tailor products and services to serve particular social needs.	Organisations may shape a society’s needs according to their own needs by regulatory capture, direct/indirect political influence and use CSR as a barrier to entry.
Organisations acts in a much more rational way than governments do, because they have technologies, know the social trends, and are in a better position to trade off their abilities in fulfilling social needs.	Organisations have a conservative approach to social needs. These needs will be fulfilled only if there is a clear benefit to organisations.

<b>CSR as a social policy instrument (good):</b>	<b>CSR as an economic purpose not as a socially optimal role (bad):</b>
	<p>Organisations are not government agencies designed to fulfill social needs. The government should deliver those services and should be accountable for it as they have been elected on political and social platforms.</p> <p>Organisations have no expertise in assessing social needs and the allocation of benefits and, therefore, they may not adopt the most appropriate approach.</p>

Source: Devinney (2009)

In the first decade of the new millennium, the focus was how to identify indicators which quantify and evaluate organisations' CSR (Clarkson 1995; Hopkins 2005). Researchers argued that examination of instruments such as codes of conduct by government bodies and activist groups (as representatives of the civil society), along with the firms themselves, can be considered generally unsatisfactory because the process could suffer from lack of objectivity and scientific rigor (Dumitru 1993, p. 47).

Therefore, many international organisations, such as the UNDP, the ILO, the World Bank, the OECD, most of the regional banks, and diverse national development agencies, have developed systems in the area of CG and CSR in the last decade, in an attempt to implement consistency all over the world in this area.

In the last decade there were numerous attempts to create new CSR definitions to best reflect the social, economic and political circumstances. One of these attempts was that of the International Business Leaders Forum's Managing Director, Adrian Hodges who said that CSR should:

promote responsible business practices which benefit business and society and help achieve social, economic, and environmentally sustainable development by maximizing the positive impact business has on society and minimizing the negative. (IBL 2004, p. 54)

In light of the previous discussion, we have the World Business Council for Sustainable Development definition of CSR as:

the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life. (WBCSD 2000, p. 3)

The contemporary view of CSR was enriched by encompassing internal factors such as Equal Employment Opportunity (EEO), training of personnel, Occupational Health and Safety, and external factors such as company reputation, brand and marketing; environment; and ethics in corporate governance.

In general terms the 'responsible' part of CSR has been differently named, more or less accurately, by the organisations or corporations as: corporate citizenship, corporate philanthropy, corporate societal marketing, community affairs, and community development. Lubin and Esty's (2010) argue, for example, that sustainability is supported by similar values as CSR and globalisation.

## **2.6 Conclusions**

This chapter pinpointed the historical development of CSR concepts from early times to the present day showing the importance of 'acceptable' business behaviour as a precursor of social responsibilities worldwide.

Philanthropy was considered as opening a new chapter on the history of corporate social responsibility. During the Industrial Revolution, philanthropy developed new dimensions through the substantial contribution of a few tycoons, such as A. Carnegie and J.D. Rockefeller, who recognised their responsibility in relation to society and subsequently generously supported great community causes. This philanthropic spirit has continued up to the present day as the owners of global corporations, such as Bill Gates, Warren Buffet and George Soros, are also big donors to a range of community causes.

In Europe, philanthropy has been present in society since antiquity. A charity or philanthropic activity was always associated with the most fortunate or rich members of the society, who had the financial resources to found schools, universities, hospitals and

theatres or establish scholarships for talented young people. The philanthropy phenomenon was also a subject of intense philosophical debates as, for example, Marx asserted that in a social welfare state there is no need for philanthropy.

Once communism emerged as an alternative political and social system, the philanthropic phenomenon suffered a significant ebb as it was considered the responsibility of the state in such systems, not only in Russia, but also in the rest of the countries under their sphere of influence such as Romania. After the collapse of communism, the philanthropy phenomenon underwent a rebirth and developed to a new level. In Romania business did not reach the level of awareness needed, maybe because of the size of the business and/or level of return, or a lack of understanding of philanthropy due to their historical and culture inheritance, and, therefore, is just locally focused and irregular in scope. Nowadays, as the CSR concepts mature, more and more Romanian organisations move from philanthropy to volunteering as a new trend in understanding community needs.

In the same period in the West, the social and political arena was marked by strong union movements against the large corporations who turned out to be too powerful, disregarding any social responsibilities. This is the time when the US government adopted the new legislation to improve working conditions, quality of life and social security, which clearly imposed more social responsibilities on corporations.

The concept of CSR grows due to the contribution of many illustrious scholars such as Friedman, Freeman, Carroll and Wood who enhanced the CSR concepts.

In this period of time, the concept of sustainability was also defined in the famous 'Brundtland Report'.

In the new millennium, CSR discourses entered into a new phase, shifting away from the supremacy of US discourses and becoming open to international participants. Many European researchers and academics identified CSR concepts in their countries' economic conditions as is the case of emerging economies in East European countries like Romania. In contrast with the strongly pro-CSR Anglo-Saxon view, this new European research trend identified less enthusiasm for these CSR concepts as they

operated in different environments. Among the most remarkable scholars of this period we can mention Gariga and Mele, Wayne Visser and Devinney.

Hereto, all CSR developments remained with little echo in Romania and were mostly present in the work of Romanian students who were studying abroad and which will be discussed in separate chapter.

## **Chapter3. The European CSR**

### **3.1 Introduction**

In the last decade or so, the European Union (EU) has increasingly aimed at attaining consistency in meaning and practice of CSR knowledge throughout member states. Romania, as a member state of the European Union, benefits from being integrated into these CSR policies and is greatly supported in creating favorable conditions and in constructing the frameworks necessary to foster CSR. The Romanian specialised literature shows the actual phase of CSR development and pinpoints future trends.

### **3.2 CSR and International Organisations**

The UN, the EU, the OECD and the ILO are the four main institutions involved in elaborating CSR structure in Europe.

The UN established the Global Compact on Corporate Accountability program which is the beginning of the process to introduce norms and standards for corporations, establishing social and environmental responsibilities. Unfortunately these have a voluntary character, and so some NGOs criticise the program as ineffective.

The OECD Guidelines for Multinational Enterprise or the Global Reporting Initiative are rarely used for auditing or compliance against an organisation's statement. Therefore, increasing demands are placed on international institutions in elaborating other recommendations which must be implemented by local governments and institutions that can put pressure on organisations to adopt CSR concepts.

The European Commission strongly supports and finances projects and advice in institutional building, especially in East European countries, with intent of shaping and implementing CSR in a European context (Commission of the European Communities 2001, 2002).

Therefore, CSR concepts, as adopted and promoted by the EU, are the *modus operandi*<sup>6</sup> for achieving the objectives established by the European Council to generate sustainable development among member states. These say:

...voluntary business initiatives, in the form of CSR's practices, can play a key role in contributing to sustainable development while enhancing Europe's innovative potential and competitiveness (Günter Verheugen<sup>7</sup> 2006)

More specifically, the EU elaborated the following principles in guiding businesses in implementing community responsibility and divided them into:

1. an *Internal dimension* which refers to a corporation's responsibility in relationships to: employees (moral and legal obligations); ensure a healthy and safe work environment; improve the quality of employees' lives; and when restructuring in crises, taking into consideration all sides' interests (European Commission 2002, p. 4).
2. an *External dimension* which refers to a corporation's responsibility in relationships to: support the development of communities; respect human rights; and minimise the consequences of their actions on the environment and natural resources (European Commission 2002, p.4).

In the light of the previous discussion, all EU member states develop their own version of CSR concepts focusing on different objectives according to their priorities and implementing their own regulations and legislation.

Table 2 shows the development of CSR concepts in Europe and the influence of different international organisations in interpreting the meaning of CSR.

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<sup>6</sup> Latin phrase, commonly known as 'mode of operation'.

<sup>7</sup> Günter Verheugen (Finland prime minister): Vice-President of the European Commission responsible for Enterprise and Industry and President of the Conference on Corporate Social Responsibility, Innovation and Competitiveness.



**Table 2 CSR and international organisations**

<b>Corporate Social Responsibility</b>	<b>EU</b>	<b>OECD</b>	<b>ILO</b>	<b>UN</b>
<b>Documents</b>	Green paper 'Promoting a European framework for corporate social responsibility'	OECD Guidelines for Multinational Enterprises	Tripartite Declaration of Principles concerning multinational enterprises and social policy	UN Global Compact initiative
<b>Definition of CSR</b>	A concept whereby companies decide voluntarily to support a better society and cleaner environment	A process to integrate social, environmental, ethical human rights and consumer concerns into business operations and strategy	Enterprises should apply international labour standards concerning employment, training, conditions of work and life, and industrial relations	Companies should refine their plans to address and avoid potential negative human rights impacts on an ongoing basis
<b>Principles</b>	A company should embody the internal and external factors for the welfare of everybody	Abolition of child labor, nondiscrimination, the right of employees and the protection of health and safety of workers. In the event of bankruptcy of an entity a reasonable care should be taken to protect the interests of everybody.  Cooperation with government authorities is recommended to reduce the adverse effects on employees.  Companies should show 'bona fide ' in negotiations with representatives of employees on condition of employment and should not influence the work condition negotiations by threatening with job transfer in other country.	Freedom of association and collective bargaining.  The elimination of forced labour, especially child labor; and abolition of discrimination in any form of employment.	Protect and promote human rights.  Freedom of association.  Abolish forced labour and eradicate discrimination in any form of employment.  Proactively involved in environmental issues.  Eliminate any form of corruption.
<b>Implementation</b>	The European Multi-Stakeholder Forum of CSR is a Group of Member States' representatives having regular meetings to discuss different approaches to CSR. The interim CSR Commission ensures a coherent approach across the different services. Provides funding for cross-European researches and disseminates CSR information.	The OECD Guidelines are sustained by implementation mechanisms, which impose National Contact Points to resolve any disputes. Specific National Contact Points, for instance, dealt with employment, labour, industrial relations and especially legal compliance issues in non- OECD countries.	The ILO's leadership in the area of CSR is ensured by the InFocus Initiative, which seek to promote principles of good policy and CSR practice, laid down in the MNE Declaration. ILO establishes values of governance for member States, setting labour standards, promoting social dialogue and assisting countries to implement good policies.	The Global Compact is a network of UN agencies such as The Global Leadership Network (GLN) which is a global community of leading companies committed to pursuing corporate citizenship. AccountAbility is an international non-profit non-membership organisation dedicated to promoting innovations that enable individuals and institutions to respond to global challenges. AccountAbility develops tools and connections that promote accountability for sustainable development.

Source: Adapted from Matei and Tuca, 2011.

These CSR interpretations have an influence on how Romanian organisations perceive the meaning and purpose of CSR which is reflected in specialised CSR literature.

### **3.3 Romanian CSR literature**

Romania, in its short democratic history (1989-2012), has been confronted with tremendous problems, such as extensive unemployment and poverty generated by the restructuring of the government's own large and inefficient enterprise, and massive inflation (Korka 2004).

Romanian academics in this period, however, mostly concentrated on economic problems, looking desperately for solutions to speed up the process of transition. For a considerable number of Romanian academics the CSR concepts were alien as they had little exposure to market principles, the inertia of the academic system, and researchers had little skills and resources to involve themselves in CSR research. The last decade marked an improvement of the economic situation and of managerial thought, mostly influenced by western theories and concepts.

One of the most prolific academics in the field of CSR in Romania is Mihai Korka who in his early CSR writings accepted the CSR business case by saying:

In this context, CSR is considered as an appropriate tool for enhanced competitiveness of companies with Romanian and foreign capital in the domestic market, but also as a means to improve community responsibility (Korka 2004, p. 11).

A much more Western oriented theoretical and philosophical approach to CSR was adopted by Iamandi (2007) who assessed the way businesses respond to external stimulus. For the first time Iamandi identified, as a factor of CSR adoption, the 'compliance-drive' response to EU pressure to reform the economy (Iamandi, 2007), but she missed out on some important questions about how Romanian organisations could become rational-actors in society.

A more sophisticated meaning of CSR concepts, was introduced by Vuta et al. (2007, p. 2–11) and echoes the Brundtland definition of sustainability. Stoian and Zaharia (2009) agree with previous academics on CSR and also identify as CSR drivers, MNCs, NGOs,

and philanthropic organisations and associations. The authors claim that there is no connection between Romanian companies' core activities and their CSR platforms, which will bring no benefits to the company and, in the long term, will corrode the meaning of CSR. Similar conclusions about CSR in Romania are expressed by Matei and Tuca (2011) who show there are no academic debates over the theoretical meaning of the CSR concept.

After 2000, the implementation of significant reforms in the economy, with the adoption of relevant legislation regarding market competition, strict contract law, transparency and corporate governance, created rapid economic growth and fertile conditions for CSR to grow as observed by Young (2008). She concluded: 'In spite of benefiting from shady privatization deals and other advantages based on political connections, the new Romanian entrepreneurs were not threatened by sophisticated market governance laws' (Young, 2008, p.7) which is a serious threat to economic reforms including adoption and implementation of CSR.

The process of transition from a command economy to a free market driven economy is similar in all Eastern European countries and, therefore, many CSR papers compared the phenomenon in combination with all these countries (Korka 2001; Ben-Gera 2004; Cerami 2006; Vuta et al. 2007; Matei & Tuca, 2011). In this light the International Federation for Human Rights (FIDH) for Hungary in their 2006 report on CSR declared:

The role of civil-society organizations, including NGOs and trade unions, is unclear. They do not seem to play the role of 'CSR watchdog', but rather consider CSR as suspicious, since it is mainly used for marketing purposes.

As a consequence of the lack of interest and of the deficit in means of action, civil society plays a marginal role in the CSR dynamic.

Even if it appeared impossible to provide CSR with the [existing] legal framework, the promotion of good practices and a better understanding of the concept would be welcome.

In 2007, the Economic Policy Institute of Bulgaria in their *Report on Corporate Social Responsibility (CSR) by the Forty Largest Listed Companies in Bulgaria* also stated that

27.5 per cent have environment policies, 42.5 percent have social policies even if the meaning of CSR is not clear and went on to say:

The first and most widespread is the perception of socially responsible business as caring about company staff and their families. This may take the form of a closed, paternalistic dependence of employees on the employer, or of innovative approaches involving established practices relating to rights, protection and career development, training and other measures that enhance the capacity and social capital of the employees. Both of these forms co-exist in Bulgarian practice.

The second type of perception is a commitment to social activities benefiting the local community. In most cases, this means improving the urban environment, public relations (PR) with a social focus, and help for children and the elderly in institutions.

At the same time the Responsible Business Forum which is a non-profit Polish organisation focusing on the CSR, stated that:

Only 20% of managers perceive CSR as response to stakeholders needs and only 18% of the sample defines stakeholders as local communities. Moreover, almost 60% of them claim that CSR is connected with higher operational costs and it can have negative impact on profitability (30%).

CSR literature analysis in Romania revealed that there was no major contribution to the creation of new CSR concepts or theories. The CSR literature in Romania adopted a pragmatic approach, merely explaining the concepts and identifying some factors which encouraged organisations to adopt them. Most of CSR researchers stated the positive correlation between CSR and an organisation's financial performance without any hard evidence. The existing CSR literature leaves, for the moment, unanswered questions and, therefore, Young (2008) stressed the necessity of rigorous and scientific CSR research and supported the view that, for the dynamic Romanian social reality, there was no 'one CSR size fits all'.

### **3.4 Conclusions**

International organisations and especially the EU play a considerable role in formulating and disseminating CSR knowledge in Europe. The EU based their CSR view on worldwide recognised CSR concepts developed and updated by the OECD, UN Global Compact, the ILO and the UN Guiding Principles on Business and Human Rights. This essential set of principles and guidelines constitute a framework for CSR policy development. The EU claims the purpose of their policies is to accelerate CSR adoption by recommending that enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy, in close collaboration with their stakeholders.

The Romanian literature review shows clearly that, since Romania's adherence to the EU, CSR presence in the business environment has grown considerably in improved social, political and legal contexts. Despite Romanian companies' greater openness to international companies influence, CSR does not find a place in the core activities organisations.

## **Chapter4. CSR in Romania**

### **4.1 Introduction**

In order to understand how CSR is spread, understood and applied by Romanian organisations, this chapter presents a comprehensive picture of the Romanian economic, social and political environment and the historical transformation which is considered by many CSR analysts as having a major contribution to CSR adoption.

### **4.2 The Impact of Transition in Romania: From Communism to Democratic Capitalism**

The capitalist development of Romania followed the same pattern as anywhere else in Europe but was influenced by the European Marxism movement and the communist ideology of new Soviet States in the East. The period before WWI, and until WWII, Romania saw a marked increase in social unrest as the government and companies failed systematically to meet most of the basic social needs. This situation broadly explains the success of the communist ideology in Romania which contributed to the creation of the communist state in Romania.

In the Romanian communist era (1945- 1990), organisations operated in a controlled economic environment whose main objective was to keep people employed and production was oriented to satisfy government directed economic targets. Managers at all levels had no exposure to competition with the free markets, and contact with western organisations and their managerial thought, was prohibited. Therefore, the collapse of communism found Romania totally unprepared to deal with the new situation characterised by the following aspects as described by Korka (2005):

- A centrally planned economy, where the government owned all companies which were oversized, inefficient and which had become very hard to privatise.
- A strongly politicised and bureaucratic structure of the Romanian institutions which removed any individual spirit of enterprise.

After the collapse of communism, the newly created Romania ‘self-committed to the transition process in the new era of *democratic capitalism*’ (Korka 2004, p. 47).

In the first decade of the post revolution period, most of the Romanian enterprises collapsed and as a result most of the people became poorer. The organisations' management teams, acting in an environment characterised by an inadequate legal system, lack of government institutions, and an inadequate financial system, unscrupulously reacted by maximising their rent extraction and totally neglected the long term perspective of their organisations' interests and civil society. Korka (2005) reflected the view of most analysts comparing this period with 'primitive capital accumulation'. The internal market was characterised by abuse of private citizens, inadequate government legislation and a lack of tax initiatives which could lead to 'unintended' and undesired trade barriers, as expressed by the former EU Employment and Social Affairs Commissioner, Anna Diamantopoulou (2005).

The need for radical reforms in the Romanian economy became urgent and the need for differentiation between the political and the administrative parts of the executive grew (Nunberg, 1999). As Ben-Gera (2004) emphasised the reform process were confronted with:

- lack of policy development capability and capacity at all government levels.
- preparation and implementation of legislation without clear policy.
- weak reform policy coordination mainly due to internal fragmentation, political interference and rivalry between different government departments.
- an insufficient, inadequate, politicised, and duplicative legal system at different levels of government.
- weak monitoring procedures of the reform process at the government level.

Moving from a controlled to a free market economic system, supported by an inadequate legal framework and lack of professional competency, was characteristic of all East European countries, not only Romania, as stated by Korka (2004), and Gradev (2005) who made similar statements about Bulgaria.

Under pressure from the international organisations and the civil society, the Romanian government had to develop a new legal framework with the task of dealing with the extended phenomenon of organised crime and corruption which flourished after the

collapse of the communist state. This phenomenon was a characteristic of the transition period in all East European countries (Ben-Gera, 2004). Romania managed criminality much better than many other East European countries (such as Bulgaria, Russia, and Ukraine). In very few occasions in Romania, organised crime managed to infiltrate the state structures with severe repercussions for civil society and the transition process towards democracy (Magherescu 2008). As a principle, Romania had been involved in the strategy of the EU institutions regarding legal cooperation in the fight against cross-border and internal criminality.

In this blurred period, adequate economic solutions had to be found and a management system had to be put in place in order to control a politicised society with no clear and coherent government direction. Lack of experience combined with instability in political and economic direction, which was based purely on political and personal reasons, seriously damaged the economy revealed by a 21 per cent drop in the GDP as identified by Isarescu (2003) and later by Sitki, (2006). The organisations' downsizing processes created a snowball effect which led to massive unemployment and devastating consequences for ordinary people (Isarescu 2003). This situation created a fertile ground for infringement of the ethical *arm's length* principle with all participants sharing political or administrative power (Sitki, 2006 and Puffer and McCarthy, 2003).

At the company level, the problems of company managers' competency were totally ignored. The Government intention to improve company management, and to increase organisational efficiency by introducing new legislation, failed as there was no commitment to implement changes. Most talented and capable managers left Romania for Western countries in search of a better life. Most of the new managers were irresponsible, with no scruples, solely acting to increase their own shares (Dumitru 1993).

To conclude, the UN-Romanian National Human Development Report (2001-2002, p.9) states:

the pre-transition period contributed to the depreciation of certain fundamental values, not only the managerial and entrepreneurial ones, but also the socio-political ones as well. Moreover, the last decade of transition



had its own contribution to the permanence and value of pre-transition elements, as its chaotic approach brought confusion, mistrust and doubt.

After the collapse of communism and the disintegration of Romania's state monopolies, a severe economic crisis took place. Bilbiie (2004) considered the crisis more dramatic than that of 1929–1933 in the US, which was a supra-production crisis; that of 1989–2002 in Romania was a structural crisis, created by: macroeconomic disequilibrium and by the slow change of legal and institutional frameworks as described by Korca (2004, pp. 12-15).

The economic and political aspects analysed above clearly show that, in the first decade of the post-communist era, Romania was dominated by instability, high inflation, economic downturn, and lack of institutions able to provide the improvements required by the civil society. Issues such as corruption, employment relationships and the environment were totally neglected. In the light of the above discussion, the researcher concluded that in Romania, in the first decade of the transition process from a state controlled economy to a market driven economy, there was no fertile ground for CSR concepts to be adopted.

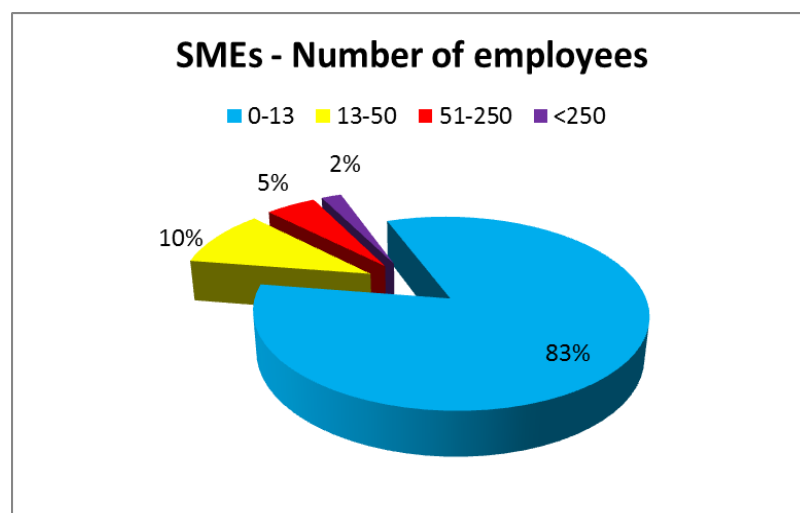
These economic, social and political circumstances will help later to understand Romanian managers' CSR sense making and their attitude toward CSR adoption.

### **4.3 The Origins of CSR in Romania**

After the fall of the communist regime, in the second decade of transition, Romania showed marked economic improvement and consolidation of institutions under European Union supervision as a requirement for EU acceptance. As a consequences of European integration, globalisation of the Romanian market, increased foreign direct investments (see Tables 3 and 4) and presence of MNCs opened the door for new management concepts such as CSR. CSR concepts had an extremely important contribution to the processes of transition, particularly in addressing issues such as the fragile market economy, inadequate managerial and business skills, transparency, institutional inadequacies, environmental deterioration and the reorganisation (usually downsizing) of state-owned companies.

As revealed in the literature review, the EU's main objective was, and continues to be, the expansion of Romanian ephemeral CSR activities and the elevation of consciousness in order to broaden the adoption of these CSR concepts and to anchor them into mainstream practice. The challenges of Romania are to encourage socially responsible practices and extend these from large organisations to small and medium-sized enterprises (SMEs). In this process international programs and technical assistance have played a fundamental role.

In the transition economy of Romania most enterprises created in the last decade are SMEs. According to the Romanian National Institute of Statistics, in 2011, 93.7 per cent of enterprises created in the last two decades are SMEs<sup>8</sup>, with an average number of 10.6 employees (see Figure 3).



**Figure 3 SMEs – Number of employees**

Source: National Institute of Statistics 2011

For these SMEs the concepts of CSR are totally new, therefore many EU countries and international institutions offered assistance including the OECD, the UNDP and the UN Global Compact.

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<sup>8</sup>European Commission definition: 'Small and Medium-Sized Enterprises (SMEs) are independent business entities with less than 250 employees, an annual turnover of up to €50 million and/or a balance sheet total of up to €43 million' (Commission Recommendation 2003/361/EC 2003).

The European Commission (2005) website *Mainstreaming Corporate Social Responsibility* supports the process of CSR adoption among SMEs with the intention of increasing their competitiveness. Moreover, Jose Manuel Barroso, the European Commission President, speaking at CSR Europe's General Assembly in Brussels on 11 June 2009, said:

In the current exceptional circumstances, corporate social responsibility is even more crucial than ever. Far from being at odds with competitiveness, corporate social responsibility reinforces it and therefore the Commission is doing everything it can to help companies preserve jobs, while remaining competitive (Barroso 2009).

There is a clear EU commitment to CSR implementation in all members' countries by offering technical and economic support. The responsibility of CSR implementation also lies with the national governments in developing an adequate legal framework to support CSR implementations.

#### **4.4 CSR legislative support**

In Romania there is no law which encourages the adoption of CSR nor is there a requirement for the auditing and reporting of any local or MNCs non-financial activities. Although there has been an improvement in the Romanian legal system (the existing legal system presented no obstacle to the pursuit of CSR), there is a lack of initiatives to encourage and implement CSR (Daghie 2009).

An example of legislation promoting some CSR elements is the Labour Code which controls industrial relations regarding conditions of work such as wages, security and safety, employment and the lay-off of employees. The government body Labour Protection Inspectorate's activities is regulated by Law No. 108/1999, which is actually an application of the Agreement No 81 of the ILO regarding conditions of work, employment of children and other related matters.

Romania adopted a series of environmental laws regarding land, water and air pollution, such as Law No. 8/1991 and Law No. 271/2003 and ratified all international protocols. The above legislation shows that the environmental problems are legally covered and represents a strong support for CSR adoption by Romanian organisations.

## **4.5 Key Romanian CSR stakeholders**

As established in the literature review, in Romania the dissemination of CSR concepts is stimulated by factors such as EU's 'compliance-drive', MNCs, NGOs, and philanthropic organisations and associations (Iamandi, 2007, Stoian and Zaharia, 2009).

### **4.5.1 Analysis of major Romanian CSR participants**

For a clear understanding of the process of CSR adoption in Romania, the researcher analysed the major Romanian CSR stakeholders and their contribution to the process of CSR adoption. The researcher assumed that in the complexity of the Romanian context the CSR concepts are viewed and discharged differently than in Western countries. Some CSR stakeholders may have a different role in this process which may explain the shortcomings of the CSR adoption process. The Romanian CSR participants are as follows:

### **4.5.2 Romanian Government**

The Romanian Government has very little involvement in promoting and implementing CSR concepts. Various ministers and government agencies have elements of CSR in their documents, policies or rules, without naming or defining CSR directly as it is defined in the Western World, and no implementation policies exist. The Ministry of the Environment and Sustainable Development guides and oversees strategies and the implementation of laws related to the environment (Law No. 152/2005 and Law No. 84/2006) regarding pollution issues in Romania.

The Agency for Small and Medium Sized Enterprises and Cooperatives, along with the European Commission, is involved in rewarding the SMEs displaying good business practices and economic results with prizes for initiative and entrepreneurship. But unfortunately the Agency for Government Strategies makes no mention of CSR in any of their programs or documents. In this situation one can conclude that at government level there is no vision for CSR and there is very little commitment and initiatives to promote it.

### **4.5.3 Romanian Civil Society**

CSR, as it is known in Western countries, would imply profound transformation of Romanian society. At its initial stage, CSR concepts could be seen as confronting to business and simultaneously a challenge to management, communities, government, non-governmental organisations, and academia. Associations such as the Resources Center for Civil Society are drivers for change and support businesses in attaining communal expectations by delivering public goods throughout community activities, education and dialogue. At the present stage, businesses should also expect to be both responsible and transparent in the opinion of their society and the other businesses (Open Society Institute, 2010). Many organisations such as Civitas Foundation for the Civil Society, the League for the Defense of Human Rights, The Romanian National Council of SMEs and others are involved in the development of CSR issues and have a particularly important role to play in acknowledging and implementing CSR. Adopting CSR in Romania will also contribute greatly to community development.

Corporate and community alliances can go a long way in developing the economy, society and the environment; therefore, companies engaged in creating social and environmental benefits are very important factors for developing countries, such as Romania, where the government involvement in these areas is inadequate.

### **4.5.4 Multi-National Corporations**

Dunning (1993) identified the following four aspect of new market attractiveness for MNCs direct investments: a) resource seeking; b) getting access to new markets; c) reduction of production costs; and d) purchasing strategic assets through mergers and acquisitions.

Romanian market attractiveness to MNCs direct investment was mostly determined by only three aspects according to Brancu and Bibu (2006): a) the existence of a relative large market; b) the reduction of production costs; and c) the purchase of strategic assets. The Romanian market consists of about 22 million people characterised by existence of ‘a large, well trained, and cheap local work force’ (Brancu and Bibu 2006) which reduced MNCs production costs. Finally the Romanian government desperately needed cash and was willing to sell strategic assets at a price well under the market value as it was unable to finance them.

As economic development created favorable conditions for the penetration of the Romanian market by the MNCs, these major competitors introduced a new level of pressure for Romanian organisations as they had to identify new ways of promoting their corporate image and reputation (Chamber of Commerce and Industry of Romania [CCIR], 2007). The issue of competition with the MNCs, required increasingly sophisticated strategies, such as using CSR as a source of *competitive advantage*; meanwhile, the rapidly self-educated consumer learned how to make better and more appropriate purchasing choices.

Once those corporations penetrated the Romanian market they also exported their code of conduct embedding CSR, their operating standards, best business practices, values, and principles. Spreading of CSR concepts by MNCs in Romania, major changes in the legal system, along with a generally favorable business environment and Romania's accession to EU, seemed to increase Foreign Direct Investment (FDI), (see Appendices 1, 2 and 3).

**Table 3 Foreign Direct Investment attracted by Romania during 2003–2009**

Year	2003	2004	2005	2006	2007	2008	2009
Volume (€million)	1946	5183	5213	9059	7250	9496	5556

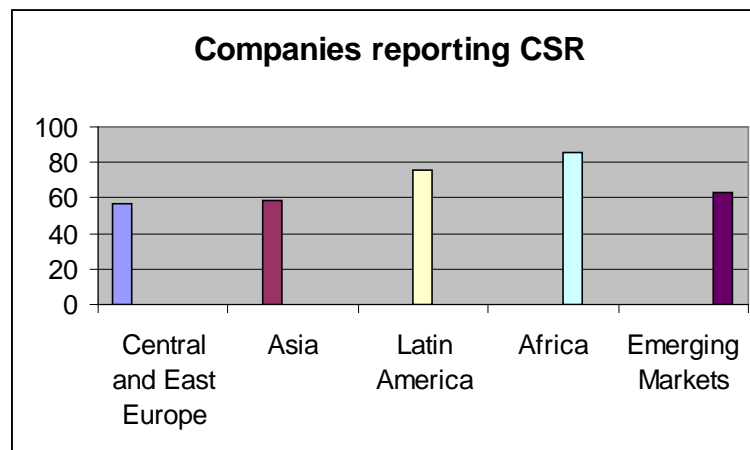
Source: National Bank of Romania Balance of Payments

In these circumstances the head of the EON Corporation in Romania, Frank Hajdinjak, declared:

There are few countries in the region with the same advantages as Romania. The country has its own oil, gas, coal, enormous potential for renewable energy and is placed strategically in the region with connections to other markets. There is a friendly climate for investors in Romania at the moment? Unfortunately, no. (Hajdinjak 2003, speech at Gala Dinner, CSR Conference, Bucharest).

Among the major international corporations developing projects in Romania in 2010 are Enel, CEZ, GDF Suez, AES Corporation, China National Electric Equipment Corporation and the Japanese Itochu. The Bloomberg Business Week magazine, announced that Nokia established their new European manufacturing company in Cluj Napoca, in 2008, closing down their factory in Bochum, Germany, which had become

too expensive. Nokia, for example, brought into Romania not only their latest technology, but also their CSR policies, new sustainable business strategies and the organisation's code of conduct based on social responsibility initiatives as part of their business philosophy. All of these corporations become strong vectors for the dissemination of CSR concepts in the country.



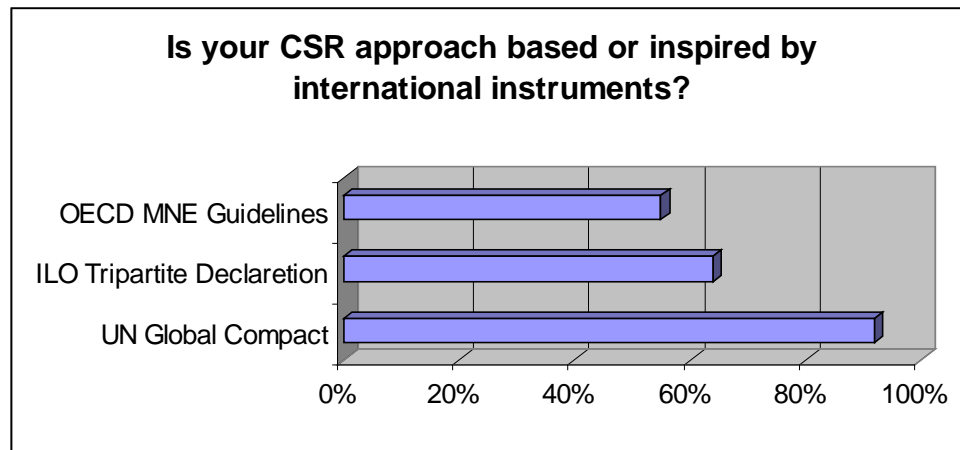
**Figure 4 Companies reporting CSR**

Source: OECD. Corporate Responsibility Practices of Emerging Market Companies (2005), p 15.

The 2005 OECD delve research on CSR showed that a large number of companies in emerging markets reported or made specific statements about their CSR and sustainability performance as shown in Figure 4. In 2008, Viego<sup>9</sup>, a UK based organisation that specialised in assessing and rating CSR performance, carried out a survey of 281 European organisations including Central and East European organisations. They found that a large number of companies understood that their CSR actions had been 'based on', or 'inspired by' the UN Global Compact, the ILO Tripartite Declaration and the OECD Multinational Enterprises Guidelines, as shown in Figure 5.

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<sup>9</sup> VIEGO is a UK Government research project funded by the UK's Engineering Physical Sciences Research Council (EPSRC).



**Figure 5 CSR and international instruments**

Sources: *Viego, 2008*, OECD MNE Guidelines: A responsible business choice, p7.

One can say that MNCs also exported CSR concepts thanks to their international expansion, globalisation of the markets, growth of world trade and international investment. This phenomenon brought in many benefits but also much criticism emphasising that the MNCs generated considerable dissatisfaction and accumulated too much power which could not be effectively managed and controlled at the national level (Murphy, 2005, p.3; Vogel, 2006, pp.8–9). Therefore, all international organisations try to elaborate more effective and efficient regulations at national and international levels in order to make the MNCs more accountable and capitalism more humane. The ‘Romanian capitalist experience’ is not an isolated phenomenon; there are similar effects of MNCs penetrating East European countries as identified by Gradev (2001); Ben-Gera (2004), Asvany, (2010). Parallels can also be made between the transition phenomenon in Eastern European countries and the adverse effects of MNCs in Latin America in 1970–1980s which distorted the development program until late 1980s when an appropriate legal and regulatory system was implemented.

#### **4.5.5 Non-Government Organisations**

The existence on the Romanian market of NGOs required businesses to diversify their strategies and use CSR to attract sponsorship from different sources, like the public and business sectors (Iamandi 2007).

Organisations such as the North-East Regional Development Agency and the Phoenix Foundation strongly advocated CSR and considered it a stimulating starting point for



creativity and innovation. CSR could lead to so called corporate social *opportunities* involving improvements in products and the performance of services which would permit new markets to be penetrated and new business models spread (Porte, et al. 2006, p.81). These NGOs advocated for a real commitment to environmental and social responsibility and to ethical business practices. In Romania the CSR watchdogs included: unions (for example, the Farmers' Federation and the Women's Association of Romania), consumer protection groups (such as the Romanian Consumers Protection Agency), environmentalists (Environment Protection Agencies), and Liga Pro Europa, each watching over their own area of activities.

A few international organisations have a very important role in disseminating CSR concepts in Romania. At the very early stage of CSR development in Romania, the World Bank created a forum to encourage CSR dissemination. From 2002, in collaboration with the American Chamber of Commerce and the *Capitalul* magazine, a series of conferences were organised in Bucharest with the purpose of encouraging local businesses to adopt CSR principles.

In Romania, UNDP promotes new management practices and encourage CSR reporting procedures as a commitment to organization transparency and sustainability.

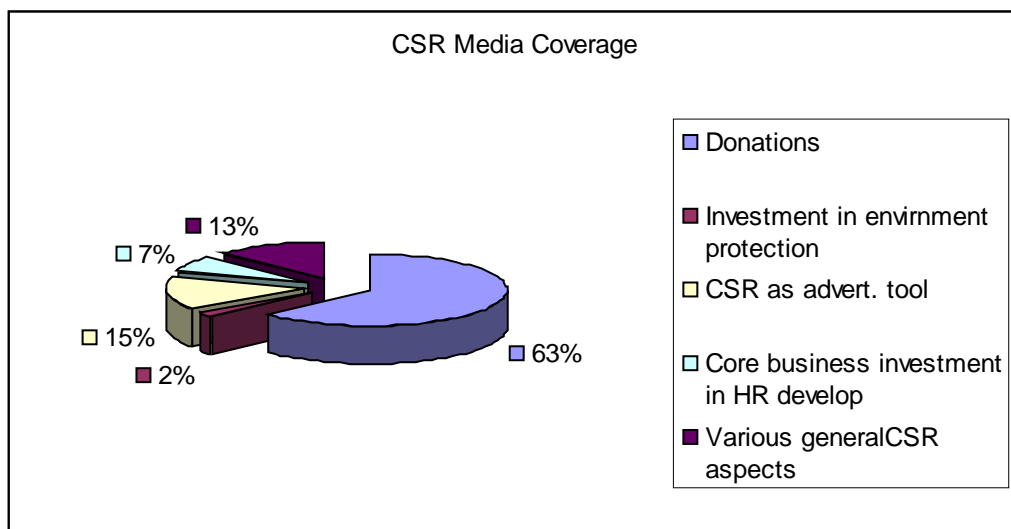
#### **4.5.6 Romanian Media and CSR**

The Romanian government, the NGOs and the media should hold corporations accountable for their operations' consequences on environment and society. In Romania, the media is a major factor in promoting and communicating CSR concepts and, in general, covers mostly philanthropic, environmental issues and sponsorships. Recently a large number of companies started using their CSR initiatives for advertising purposes, called *corporate marketing* and *brand marketing*, but most of the time these had no real substance (Marinela 2010, p17).

The Romanian media gradually showed interest in CSR as the new phenomenon became more visible on economic arena. Most of the national newspapers, radio and TV channels started covering events or activities reflecting CSR elements. In 2003, the *Capitalul* magazine and the Open Society Foundation initiated the project 'CSR Page' which published different aspects of CSR. Furthermore, associations like *Pro Vobis* and

the National Volunteer Centre launched initiatives like the Win-Win Corporate Volunteerism Initiative which were sporadically covered in the national newspaper *Adevarul*.

In a recent short analysis of media coverage of CSR concepts by G. Marinela, and published in the *Capitalul* newspaper in July 2010, 63 per cent of CSR issues identified in Romanian media were related to donations and sponsorship, and 15 per cent of companies promoted their CSR activities through advertising, although often this had no real substance (Marinela, 2010), see Figure 6.



**Figure 6 CSR Media Coverage**

Source: G. Marinela in *Capitalul*, 23 June 2010, p. 17

At the present time, the media has lost most of its credibility due to inaccurate descriptions of political and social issues, and it has been unable to influence favourable changes in people lives (Gross, 2008, pp. 51–53). Lack of the media’s credibility badly damaged the dissemination of CSR concepts and the CSR business case.

#### **4.5.7 CSR and Romanian Universities**

There is scarce evidence of CSR education in Romania. CSR is promoted by universities, although this topic has not yet found a strong place in Romanian academia. Very few academics know and advocate CSR concepts and they are not included on students’ curricula in business and management schools (Ciumas 2009). Ciumas came

to the conclusion that CSR concepts were present in Romania and were spreading fast, but they were alien to the large majority of people at all levels of Romanian society.

As a result of decades of isolation from the external world, lack of contact with Western universities, inertia, and lack of vision, Romanian universities have failed to take up CSR knowledge. In the area of CSR, private organisations overtook universities as an engine of R&D and promoted CSR as a resource for progress. There is a clear increase in government spending on education, but R&D remains far below the EU and OECD averages with negative repercussions on CSR development.

It is essential that the Romanian universities recognise CSR as part of social science which could make a major contribution to the development of society (Nicolescu 2006). Recently, all major Romanian universities have initiated programs for studying CSR.

#### **4.5.8 Conclusions**

This chapter underlined the social, economic and political factors which influenced the process of CSR penetration in Romania and the role of different institutions in disseminating CSR. The major factors contributing to CSR dissemination are MNCs and international organisations, especially after Romania's adherence to the EU policies. The Romanian government has made little contribution to CSR dissemination and has been mostly engaged in the process of market liberalisation, deregulation and privatisation. All other Romanian institutions showed little interest in CSR as consequence of lack of knowledge, vision and support.

Despite this general view, there are Romanian organisations and institutions which are active in the field of CSR such as: NGOs, Mass Media which mostly presents CSR initiatives in area of environment and philanthropy, and academia which is relatively slow in taking on board CSR.

## **Chapter 5. CSR instruments used by Romanian Organisations**

### **5.1 Introduction**

This chapter looks at the CSR instruments used by Romanian companies and are presented in Romanian legislation or are voluntarily adopted as a response to new economic conditions and community's social demands. Among Romanian researchers and academics, there has been a general understanding that Romanian organisations follow the European Commission's business guidelines, the *ABC of the Main Instruments of Corporate Social Responsibility* (2004, p. 5), which state that: 'the CSR instruments are persuasive in achieving sustainable performances, promote best practices and foster a beneficial business environment'. There are a whole range of CSR instruments available to organisations and their usage mostly depends upon the organisation's knowledge. The CSR instruments in use in the EU are: codes of conduct, management systems, reporting of organisation's non-financial performance and socially responsible investments.

### **5.2 Business Codes of Conduct**

All businesses are implementing business ethics agenda to meet the growing social responsibility expectations, legal compliance, and environmental issues with a hope of improving their bottom lines. One of the instruments used by businesses in adopting ethical behaviour is a Code of Conduct for their organisation. The Code of Conduct is a governance policy, a management philosophy and a support for company culture. As stated by the ILO<sup>10</sup> (2003): 'Globalization is one factor that has pushed multinationals to initiate uniform standards of conduct in all countries in which they operate'. All over the world businesses develop their codes of conduct in order to fulfil all of these expectations in the absence of a clear definition of codes of conduct or corporate codes of conduct. The best definition we can get of a code of conduct is that of the ILO which states that the concept 'corporate code of conduct' refers to companies' policy statements that define ethical standards for their business conduct and are voluntary and

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<sup>10</sup> International Labour Organization (ILO), 2003, Corporate Codes of Conduct.

discretionary in nature. Some of these codes have a compliance character, some are expressed in the organisation's vision and mission and some are expressed as a management philosophy.

According to Levis (2006, p. 51) the role of a code of conduct is to fill in some gaps in the legal system, especially in countries with a weak legal system such as Romania. In Romania, Iamandi (2008), echoing Levis (2006), identifies four reasons for organisations to adopt a code of conduct: firstly, all organisations want to show the values and principles their businesses adhere to; secondly, their intention is that all their stakeholders will do the same; thirdly, they wish to implement good governance in their businesses; and finally, they wish to show to customers the high standard of the organisation's products or services. Iamandi (2008) claims that in order to achieve these objectives, the codes of conduct must be transparent and credible, otherwise the organisations may face reputational damage.

In Romania's transitional process, all enterprises had to respond to growing competition from MNCs, new health and safety legislation, product and services quality standards, new environmental issues and transparency in financial reporting and accounting which required from organisations much more responsible conduct (Korka, 2004, 2005; Stoin et al., 2009). In these circumstances it was a necessity for Romanian organisations to support their activities with new types of codes of conduct.

Iamandi (2008) showed that before licensing it was a legal requirement for all Romanian organisations to have a Code of Conduct named 'Regulamentul de Ordine Interioare' (ROI). In Romania companies' Codes of Conduct or ROI are based on ILO, UN and OECD recommendations of: freedom of association and collective bargaining; anti-discrimination; fair remuneration; reasonable working hours; workplace health, safety and security; the banning of child and forced labour; environmental responsibilities; and anti-corruption actions. Romanian organisations understood their CSR responsibilities in the light of the ROI requirements, and some of them and some time went beyond the legal requirements or regulations (Stoinan, et al. 2009).

All Romanian organisations have implemented an environmental management system which is probably the best understood CSR area by the Romanian enterprises and sometimes is embedded in ROI or is separately managed. Environmental management

systems are seen mostly through their production processes such as ‘ecologically friendly’ processes and/or products, waste management or pollution control involving product re-engineering, waste reduction and recycling (Marinela 2010).

In Romania, the organisation with responsibility for national environmental protection management, supervision (compliance) and control is represented by the Ministry of Waters, Forests and Environmental Protection. The EU assessment of Romanian environmental legislations showed deficiencies in the implementation of the law (Krüger and Cariu, 2001). In the last decade these deficiencies were generally overcome as the weighting of the environment risks assessment versus economic gain, the role of community involvement, and especially as transparency, increased. Romania aligned its environment legislation to comply with the European Commission’s legal requirements and also international requirements.

### 5.3. Corporate Governance in Romania

In the Romanian complex business environment, characterised by the existence of a fragile market economy, inadequate managerial and business skills of organisations’ leaders and institutional inadequacies (Korka 2004; Bobirca and Miclaus 2007), the governance needs of these emerging organisations revolved around a *new management system* based on business ethics and rule of law to regulate and foster ethical behavior (Maignan and Ralston 2002; Korka 2004; Stoian and Zaharia 2009).

As a consequence of its adherence to the EU, Romania has introduced in the last decade or so new business legislation. Organisations have to subscribe to a new broad business approach which includes accountability, responsibility, transparency and the adoption of a general win-win attitude.

In Romania the International Center for Entrepreneurial Studies at the University of Bucharest defines Corporate Governance as ‘the system of rules according to which companies are managed and controlled’. The newly created Romanian Stock Exchange has adopted the OECD’s CG principles on a voluntary basis for all listed companies. The European Bank for Reconstruction and Development (EBRD), in a country assessment in 2004, stated that Romania’s legal system was at a ‘low level’ of compliance with the OECD Corporate Governance principles. A few years later in 2008, the same organisation found Romania’s legal system as having a ‘high

compliance' with the same principles, showing commitment to the new regulations and CG values<sup>11</sup>.

In conclusion, despite the progress marked by the reforms in creating the institutional structure and the business legislations frameworks in Romania, there are gaps especially in the enforcement side (Duca et al. 2007). Furthermore, the existence of the gap in the implementation side of the legal system will have devastating consequences on the efficiency and credibility of the legal system and also creates space for corruption which badly damages the process of CSR adoption. Romanian government understands that corruption in any form is damaging to the society and therefore acts accordingly. Despite encouraging results in corruption eradication, Romania has a long way to go in attaining Western standards in this area.

In 2010, Pricewaterhouse Coopers reported a continuous increase in the number of companies reporting their CSR performance. Western European countries lead the world with 76 per cent of UK, 64 per cent of Canadian, 47 per cent of American companies, 46 percent of rest of the Europe and 30 per cent of Australian top 100 companies producing a CSR report.

The Romanian legal system does not require local or international organisations to report any non-financial performance; therefore, it is hard to assess organisations CSR. MNCs voluntarily and publicly disclose their 'social performance', 'social investment' or sustainability performance as a standard procedure. This is especially characteristic of American companies which are listed under Dow Jones Sustainability Index, but it certainly is not a Romanian requirement to assess companies based on their environmental and social performance, risk management, climate change mitigation and labor practices.

Some of Romanian corporations voluntarily report CSR performance as a consequence of being listed overseas and CSR reporting is a listing condition. For example, in 2009 the Global Reporting Initiatives included in its list only four Romanian companies

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<sup>11</sup> The following legislation is associated with CG is in use: The Commercial Code, Law no. 31/1990; Law no. 29/1990; Law no. 297/2004; Law no. 122/1990; and Law no. 346/2004.

EurActiv Romania, Dona Pharmacies, Orange Romania and Romstal. There is no doubt that, sooner rather than later, CSR reporting will be a requirement of the Romanian stock exchange for listed companies and will be used to attract local and international investors. Once this stage is attained by the Romanian stock exchange, the CSR spread and adoption will be established into the business main stream.

#### **5.4 Conclusions**

The Romanian Government is very little involved in promoting and implementing the concepts of CSR. Various ministers and government agencies have elements of CSR in their documents, policies or rules, but without naming CSR or defining it directly as it is defined in the Western World, and no implementation policies exist.

In Romania, the media is a major factor in promoting and communicating CSR concepts and, generally covers mostly philanthropic, environmental issues and sponsorships. A large number of companies started using their CSR initiatives for advertising purposes, but most of the time there is no real substance to them.

CSR has not yet found a strong place in Romanian academia. Very few academics know about and advocate these concepts and they are not included on students' curricula in business and management schools (Ciumas, 2009). In 2012, all major universities had initiated programs for studying CSR.

The most common CSR instrument used by Romanian organisations is codes of conduct (ROI/Romanian). The role of a code of conduct is to fill in some gaps in the legal system, especially in countries with a weak legal system such as Romania. The reason for Romanian organisations adopting a code of conduct, besides it being a legal requirement, is that they wish to implement good governance in their businesses. Romanian organisations' codes of conduct or ROI are based on ILO, UN and OECD recommendations.

In assessing CSR in Romania, this chapter identified the most commonly known CSR issue as the environment which is heavily regulated after EU adherence. Romania introduced new business legislation and now organisations have to subscribe to the following new broad business approach defining organisational governance and includes accountability, responsibility, transparency and the adoption of a general win-



win attitude. Romanian organisations listed on the stock exchange are now labeled as highly compliant with OECD corporate governance principles.

In conclusion, Romania has to be more transparent, develop and implement CG and CSR concepts to the level required by the international community.

## **Chapter6. Methodology**

### **6.1 Introduction**

This research explored, at different stages: the links between an organisation's position in their social network and its level of CSR understanding (collective sense-making); the influence of network structures in explaining individual variations in the perception of CSR (individual sense-making); and the individual's understanding of CSR versus the organisation's formal positions on CSR.

The aim of the present research is to identify individual managers' CSR sense-making systems, and to understand the sense-making process related to changes implemented by Romanian organisations in accommodating CSR. This exploratory research will investigate the views and experiences of managers from different Romanian organisations from the textile and clothing industry in their application of CSR.

The textile industry was chosen because of its social and economic impact on their workforce who represented 10 per cent of total Romanian workforce in 2010, but showed a 50 percent decrease from 2004 according to Grappini (2008) from the Owners' Federation of Textiles, Clothing and Leather. The textile industry it is also conveniently spread all over Romania's geographic area.

The literature review reveals different CSR concepts and fine differentiations between different discourses and indeed different interpretations at different organisational levels. The following research questions tied to identify these differences and offered a comprehensive understanding of the CSR phenomenon in Romanian circumstances:

The research questions this study sought to answer were:

1. What is the gap (if any exists) in the understanding of CSR between the managers of international organisations and local organisations, and what explains this gap?
2. What CSR concepts do Romanian managers use to guide their approach to CSR?
3. What is Romanian managers understanding of CSR?
4. What are organisations' processes in respect to the adoption of CSR?

## 6.2 Qualitative method employed

As mentioned, the research proposed was exploratory, investigating a number of issues which include different understandings of CSR concepts by participants in the complex economic, politic and social environment of Romania, as described by Argandona (1997). In this complex environment, *qualitative research* offers the exploratory researcher the ability to investigate in-depth CSR issues and provide a deeper understanding of how people think about CSR topics. For this reason, *in-depth interviews* were seen to be the most appropriate tool for the purpose of this research and enhanced the research findings. In order to respond to the research questions, and based on the body of knowledge in the field of the social science and CSR in particular, *semi-structured interviews* were considered the best option for collecting and analysing data.

### 6.2.1 Research Rationalities

Referring to qualitative research in social science, Salancik and Pfeffer (1978) argued that people's attitudes are subject to the social context in which they are living or working, and the perception of concepts they are operating with are shaped by the information available to them through their social network. People shaped the meaning of these concepts according to their own reality and to fulfill their own needs. This research approach illustrated the specific nature of CSR in Romania.

In the area of sense making, Weick's (1995; 2005) work is widely recognised and offers an insight into how organisations and individuals make sense of the unknown, and in the case of this research, the meaning of CSR, describing the process of sense making. Sense-making theory is the appropriate theoretical instrument in explaining gaps generated by atypical phenomena in organisational studies. The sense-making theory consists of interpreting and understanding people's experiences and the explanation of, reasoning behind, or sense making of these experiences. The focal points of this theoretical framework as identified by Weick (1995; 2005) are as follows:

- a. how the actors/participants *identify* themselves versus their organisation and social contexts.
- b. actors' or participants' *retrospective view* of the events—which elements of past events had a significant impact in shaping their reaction as consequences of their understanding of these events.

- c. the way actors or participants *enact* these events in their narratives will predict their reactions to the events they experienced.
- d. the sense-making theory has a *social* character as the actors or participants include themselves in their narratives as part of a social group and express their views in line with the social norms or expectation of these groups.
- e. in their narratives the actors or participants are extracting *cues* from the past events which are relevant for them, and which explain their reactions to the event or establish acceptable social norms in relation to the events.
- f. in their narratives, the actors or participants will present the events in the most *plausible* way, which explains their understanding of, and reactions to, the event. These retrospective narratives lose their *accuracy* as some aspects of the event have no relevance to the participant's understanding of the event.

Applying Weick's sense-making process to the Romanian context helped in establishing the profile of the participants, both as individuals and organisations, in terms of needs, interests, abilities, interpretations, interactions, and goals in the process of CSR understanding, how these concepts are implemented and why. This also helped in designing the research process in a way that could be replicated later on and specifically the interview questionnaires. For this purpose the researcher analysed how Romanian managers think, discuss and act in relation to their stakeholder and the economic environment and looked at patterns of CSR interpretation by Romanian managers which would explain their action or inaction in relation to CSR concepts (Bassau and Palazzo, 2008).

By knowing the sense-making process (Weick's (1995; 2005) the interview questions had to be designed in such a way as to enable the participant to freely express these 'feelings', and subsequently, to interpret, assess and evaluate these emotions.

The research procedure employed is described below.

### **6.2.2 Procedures**

To gauge the general level of understanding of the concept of CSR, the research looked at the following specific issues:

- Interviewees' understanding of CSR
- The values identified as beneficial for organisations
- The organisation's relationship with ethical principles of CSR practice, as set out in the EU Green Paper *Promoting a European framework for Corporate Social Responsibility*
- The level of CSR implementation in the organisation
- The motivation for implementing this concept into an organisation.

### **6.2.3 Ethical issues**

During this research the following ethical principles applied:

- The research complied totally with: the Research Involving Human Embryos Act 2002; the approval, guidelines and recommendations of the UTS Human Research Ethics Committee; the European Union Regulations on Ethics and Research; the European Commission Brussels, 2003; and the National Regulations on Ethics and Research in Romania.
- Respect for the ethical standards for professional research promoted by the university.
- The researcher will protect the confidentiality and anonymity of the participants.
- The researcher will guarantee voluntary participation in the research based on informed consent.
- During the research, the researcher will protect the subjects by trying to minimise the chance of harm and risks, respect human dignity and privacy, and take special precautions with vulnerable and emotional people.

### **6.2.4 Participant recruitment**

The research sample was relatively small, covering four Romanian companies from the top 20 companies listed on the Romanian stock exchange under the Textile Industry classification. From each company, about three or four personnel with different positions were selected to be interviewed. Additional personnel from NGOs or government bodies, such as taxation or environmental inspectors, were interviewed as

the research required. An initial letter was sent to the top 20 companies listed under textile industry and seven companies accepted to participate into this research. From these seven companies the four most representative were chosen. All participants were informed about the research objectives, the methodology used for collecting data, their right to withdraw their participation at any time, and that their anonymity would be guaranteed. The participants' acceptance, and the companies' approval to carry on the interviews during working hours, was obtained prior to the commencement of the field research.

The four companies are:

Company A, was an international corporation, based in Romania with operations in both Romania and Germany. The organisation has to comply with the legal, economic and social systems in both Romania and Germany. Their managers were much more exposed to the Western business culture characterised by strong competition and increasing social demands in Romania and Germany, and explained their strong opinions on corporations' role and responsibilities in society.

Company B was a fabric manufacturer, established in 1823, and had managed to survive the upheavals of the last two decades, mostly thanks to the skills and dedication of their GM who had an excellent reputation.

Company C was a clothing manufacturer having DuPont as a major partner. Basically the company worked for Du Pont which provides their raw materials, orders, sales and marketing.

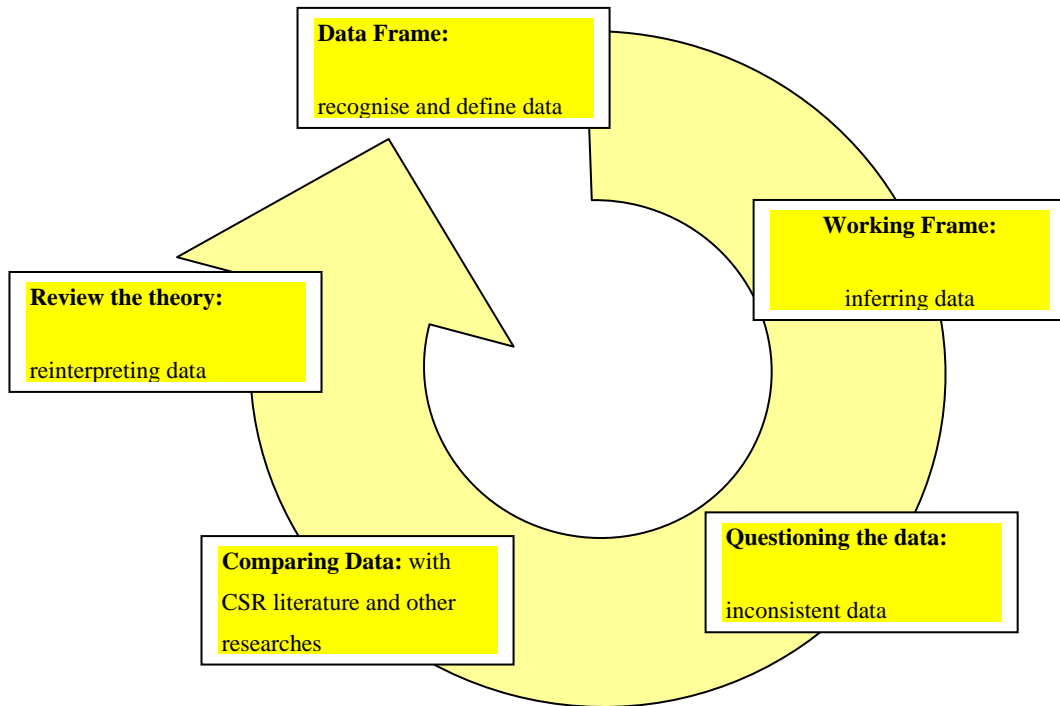
Company D manufactured a wide range of bath towels, gowns and other similar products. The company was, and continues to be, the supplier of the Romanian royal family and this fact was used mostly for promotional purpose.

### **6.2.5 Interview guidelines and process**

The research participants were executives of organisations (a managing director, an operations manager, public relations officers, or officers responsible for environmental or sustainability issues, etc.), middle managers, supervisors and ordinary employees. The participants were interviewed separately thereby eliminating the chance of them

influencing each other's views on the topic to be investigated and eliminating any chance of pressure being exerted on the participants by their colleagues. The interview scripts were analysed every day and specific notes were made at the end of the scripts to clarify the interviewer's perceptions of the way the interviewee answered the questions, and to record feelings and personal observations that occurred during the interview process. Later, all interviews were reviewed again and again until the researcher was totally 'immersed' in the data reaching the 'saturation' point, and being able to recall even the participant's body language. Only when the researcher was fully satisfied with the interview scripts and notes were they translated into English and stored on the computer for further analysis. For backup a portable USB was used which was placed in a safe location known only to the researcher. The data collected was prepared to be processed with the help of the Nvivo computer program which has built-in algorithms to identify words with the same meaning and which marks words with a series of codes. Later on, these codes were grouped into more general concepts (nodes) and relationships were created between these codes and sub-codes (axial coding) which created the conditions for further data analysis and eventually the answering of the research questions. Research data was triangulated by using data from different sources (taxation office and Chamber of Commerce) to ensure the accuracy of data collected and for validation of data held in hand.

The following process model will be used (Figure 7):



**Figure 7. Data processing model**

The research was conducted in a way that fully complies with all legal and ethical requirements in Romania, EU and Australia.

### **6.2.6 Data analysis**

In-depth semi-structured interviews were used as the instrument of research after long consultation and debate with a number of academics who agreed that this instrument best suited the research purpose and the given conditions. Research data came from four Romanian companies (A, B, C, D) by interviewing a relatively small sample of personnel codified as A1, A2, A3, A4; B1, B2... and so on. A few more personnel from NGO's or government bodies, such as taxation or environment inspectors, were also interviewed. The small sample used had the advantage of being more efficient due to time constraints and offered a much more 'personalised' view of the topic analysed. An advantage of a non-random sample of small size was that the risk of an 'atypical' or in the 'area of indifference' answer was relatively low as the participants were, or should have been, familiar with the topic and could be followed up by the interviewer.

Data was analysed and processed in a university environment (computer laboratory) using the Nvivo program with the help of specialised personnel. Any alteration or interference with data collected was excluded.



### **6.2.7 Quality control and risk assessment**

The research quality control was guaranteed by conducting separate interviews, using the same questionnaire, with different managers of the same company. Any 'out of the ordinary' understanding of the issue, compared to that of the rest of the interviewees, raised questions about the consistency of their statements. This was actually a cross examination of the answers received for the same question.

Generally speaking there were no specific or particular risks associated with the research. There can, however, be a few sensitive issues:

1. By disclosing the sources of the information it is possible to damage an organisation's reputation. This was unlikely to happen as the data collected had a low level of sensitivity and most of the data was publicly available.
2. Some subjects may have been at risk of harm if the top management knew their views, especially if they had views contradictory to those of the management. This was unlikely to happen as the data collected has a low level of sensitivity and most of the data was publically available.
3. The organisations chosen to be analysed could withdraw their participation.
4. The answers given were according to the organisations' rather than the subjects' views.
5. The researcher's access to data and organisations' information systems could be restricted.

### **6.2.8 Strengths and limitations of method employed**

The main strength of the present research consists of data being collected from primary sources. The researcher struggled to keep the original meaning very much unaltered by translation, even though at times these translations may look rough to some readers. Some of the answers received made more sense in the Romanian historical context which is deeply known to the researcher as explained in Chapters 5 and 6 of the thesis.

In analysing Romanian organisations' CSR performance, the researcher was confronted with a number of limitations. One of the research limitations was the relatively low number of participants. The researcher overcame this limitation by having in-depth

interviews and discussions about CSR with people holding different managerial positions in representative companies in the textile industry. The second major limitation of the research was the time constraint as the research was carried out in a short time frame determined by the researcher's work-related responsibilities and the costs involved. The present research does not claim that these findings are generally valid, or even absolute, recognising the temporal and spatial validity of the findings as a consequence of the relatively small number of participants.

### **6.3 Research Benefits**

This thesis makes a theoretical and practical contribution to the knowledge of CSR. The theoretical contribution is related to the application of the sense-making theory to CSR knowledge held by Romanian organisations and will enhance academics' knowledge about CSR in Romania. This research is a steppingstone for further CSR research in Romania and in any other developing countries with an economy in transition. The pragmatic benefit of the research is in enhancing the quality of CSR practice and policies in Romanian organisations. The research also increases organisations' affiliations with the community by increasing their opportunity to meet their community's needs, wants and demands. CSR knowledge, as well as an organisation's responsiveness and community participation, is enhanced by this research,. The research will disseminate information about Romanian CSR.

### **6.4 Conclusions**

This chapter emphasises the methodology used during the life cycle of this research identifying the gaps existing in CSR literature and formulating the questions to cover this gap. As a theoretical framework Weick's (1995; 2005) sense-making theory was used. This research was qualitative research using semi-structured questionnaires to collect data from a non-random sample of four companies from the top 20 companies listed on the Romanian stock exchange and government bodies such as the taxation office and Chamber of Commerce.

The research quality control was guaranteed by conducting separate interviews, using the same questionnaire, with different managers of the same company. The research used a cross examination of the answers received for the same question as a quality control tool.



## Chapter7. CSR in the Textile Industry

### 7.1 Introduction

There are CSR sensitive industries such as mining, energy and textile industries. The first two are well known for their negative impact on the environment and communities and the latter is known especially for labor issues and brand copyrights. For the purpose of this research, the textile industry was chosen because of its economic and social impact over their workforce representing 10 per cent of total Romanian workforce in 2010, but showing a 50 percent decrease from 2004 according to Grappini (2008) from Owners' Federation of Textiles, Clothing and Leather. The textile industry was conveniently spread all over Romania's geographic area.

### 7.2 Economic and Social Context

The textile industry is a very important economic sector, if not the main one, for many countries around the world, contributing to their GDP, exports and employment (Keane et al. 2008). The world economy registered reasonable growth until 2008 when the economic crisis begin, and the export of manufactured goods by the textile and clothing industry represented 4.5 per cent of the total exports in 2006 (see Table 4) with significant differentiation between countries. According to the World Trade Organisation (WTO), countries with an above average proportion of textile industries are located in Asia, South and Central America and some African countries, which use their low labor costs as a competitive advantage (Keane et al. 2008).

**Table 4 World merchandise trade by product**

Region	Total manufactured exports, % of total exports (year 2006)	clothing (year2006)	textiles (year 2006)
World	70.1	2.6	1.7
Asia	81.9	5	3.2
Europe	78.4	2.2	1.7
North America	73.5	0.8	1
South and Central America	31.4	3	0.7
CIS -Commonwealth of Independent States	24.9	0.4	0.4

Region	Total manufactured exports, % of total exports (year 2006)	clothing (year2006)	textiles (year 2006)
Middle East	21.4	0.7	1.2
Africa	19.6	2.7	0.4

Source: WTO 2006, p.11.

The importance of the textile industry is underlined by the existence of their own International Textile Manufacturers Federation (ITMF) which safeguards members' interests. In 2005, the WTO imposed the Agreement on Textiles and Clothing which abolished quotas on textiles and clothing among the WTO member countries. This shift increased competition within the industry especially from companies residing in China and south Asia, where they were supported mainly by their low manufacturing costs based on inexpensive labour costs. Subsequently, this shift created global opportunities for many other companies opening unlimited export opportunities for many of them.

Today, the textile industry is estimated by GlobalMarket ([www.GlobalMarket.com](http://www.GlobalMarket.com)) to be in excess of \$400 billion. It was hit hard by the financial crisis in 2008. Worldwide there are encouraging signs of a slow recovery (Leucuta 2009, p. 9) and that eventually the textile industry will rise to its formal glory—if the world economy stabilizes and does not slip into a new, even deeper, financial crisis.

In the last two decades the European textile industry recorded a continuous decline as a result of the relocation of the major textile companies to countries with low labour costs, and from increased competition from companies located in China, India, and Pakistan, as well as the financial crisis. A full picture of the textile industry in the European Union in 2009 is shown in Table 5:

**Table 5 Textile Industry in the European Union in 2009**

EU textile industry 2009	Man-made fibers	Textiles	Clothing
Companies	75	47,596	80,659
Employment x1000 persons	20	842	1,175
Turnover (€billion)	8.30	89.70	69.00
Investment (€billion)	0.14	2.90	1.90

<b>EU textile industry 2009</b>	<b>Man-made fibers</b>	<b>Textiles</b>	<b>Clothing</b>
extra EU-27 imports (€billion)	0.00	17.60	57.30
extra EU-27 exports (billion Euro)	0.00	16.00	14.40

Source: Euratex, 2009b in Martinuzzi et al. 2010, p5.

The contribution of countries to the European Union textile industry is as follows: Italy 33.6 per cent, Germany 12.1 per cent, France 11.6 per cent, Spain 9.2 per cent, and UK 7.8 per cent (EU-Report by Martinuzzi et al. 2010). As a consequence of the financial crisis, the textile industry is presently confronted with a decrease in demand and increased prices of raw materials and energy (European Commission 2010b). As a survival strategy in the last decade, the EU textile industry moved into niche markets by producing luxury goods for the fashion market, branding, product customisation, personalisation and innovative production technology (Parrish et al. 2006). After the WTO imposed the Agreement on Textiles and Clothing, and especially after the 2008 financial crisis, the European Union established a monitoring system for some textile products to protect their own textile industry.

The products of Romania's Textile and Clothing (T&C) industry are present on the EU market and represents 6.7 per cent of the market share (Manaila and Petcu 2010, pp. 3–13). In 2005, the Romanian Government estimated that the consequences of the WTO's Agreement on Textiles and Clothing industry would have a dramatic influence on some of Romania's SMEs which would be forced to close with considerable loss of employment, especially for women. Moreover, in Romania, the T&C industry has also been challenged by the textile industries from non-EU countries such as Moldova, Macedonia, Albania and Ukraine, which are able to compete because of lower labour costs (Van Yperen 2006).

Among recent EU member countries, Romania's T&C industry's exports are positioned in fourth place after Poland, the Czech Republic and Hungary (Folcut et al. 2009, p. 240). Even today Romania has an important T&C industry, which reached its peak in 2004 when T&C industry products represented 34 per cent of all Romanian exports. Manufacturing took place in 7200 companies with 450 000 employees, representing 20.4 per cent of the total labour force. Romania is now situated in eleventh position in the world's list of suppliers of the T&C industry with 1.7 per cent of the world's market

share (Manaila and Petcu 2010, pp. 3–13). At the present time, the Romanian T&C industry is confronted with the necessity of developing sustainable, lasting strategies, in order to keep the industry's competitive advantage at global level. These strategies include implementing new management systems and new technologies, increasing productivity and the quality of products while also emphasising the employees' wellbeing (Leucuta 2009, p.15; Folcut et al. 2009, pp. 250–254; Manaila et al. 2010, p. 9). In this context, new management strategies could include the adoption of CSR concepts which, once implemented in industry alongside other technological and marketing tools, may bring the organisations the competitive advantage they desperately need.

### **7.3 Conclusions**

Even though there is no bad press about the Romanian textile industry, however, considering its size and importance, there are justified questions to be asked about how these companies organise their production process, social compliance and their environmental performance. Moreover, in recent years, international organisations, the national government, the big retailers and brands imposed rigorous monitoring of these companies but their social responsibility is far from being institutionalised and often remains unknown.

## **Chapter8. Results and Discussion**

### **8.1 Introduction**

The aim of this research was to identify individual managers' CSR sense-making systems, and to understand the sense-making process related to changes implemented by Romanian organisations in accommodating CSR. This exploratory research investigated the views and experiences of managers from different Romanian organisations from the textile and clothing industry in their application of CSR.

The researcher carried out interviews in four companies. Company A, an international corporation, based in Romania with operations in both Romania and Germany. The organisation had to comply with the legal, economic and social systems in both Romania and Germany. Their managers were much more exposed to the Western business culture characterised by strong competition and increasing social demands in Romania and Germany, and explained their strong opinions on corporations' role and responsibilities in society. Company B was a fabric manufacturer, established in 1823, and had managed to survive the upheavals of the last two decades, mostly thanks to the skills and dedication of their GM who had an excellent reputation. Company C is a clothing manufacturer having DuPont as a major partner. Basically the company worked for Du Pont which provided their raw materials, orders, sales and marketing. Company D manufactured a wide range of bath towels, gowns and other similar products. The company was, and continues to be, the supplier of the Romanian royal family and this fact was used mostly for promotional purpose.

According to the size of the company, the researcher selected three to four interviewees, all in management positions. The list of interviewees included the GM or owner, depending on the circumstances, and other middle managers with responsibilities in applying CSR elements, such as plant managers, HR officers, OHS or environmental officers and so on. All interviews were conducted separately during working days at a time convenient to the interviewees in their normal working offices. Some of the semi-structured questions previously prepared were extended or slightly changed, where relevant, to accommodate each interviewee's understandings. During the research period, the researcher noticed the temporal validity of data as many international and



local events, occurring simultaneously with the interviews, strongly influenced managers' opinions in relation to CSR and distorted their CSR adoption decisions.

The literature review revealed that the most significant contributions to the development of CSR theories in English speaking countries came from the US and the UK as a corollary of their economic, social and political (democratic) development. Many countries, including Romania, followed the US model of company structure and embedded CSR into their management philosophy.

The research was carried out in Romania in the second half of the 2011 when the European Union financial crisis was worsening. According to the assessment of the RBA governor Glenn Stevens, 'Financial markets have experienced considerable turbulence, and financing conditions have become much more difficult, especially in Europe'. At that time the Romanian economic environment continued to be significantly marked by the turbulence of this financial crisis. The Romanian media extensively covered the financial crisis. Generally speaking the financial crisis was attributed to the unlimited greed, fraud and questionable business practices of corporations' executives. Following the GFC, many capable and honest managers worldwide, now question the values of capitalistic principles related to corporations' responsibilities and morality. As presented in the literature review, Maignan and Ralston (2002) exemplified those opinions in Europe where organisations did not show the same enthusiasm for the principles of Western neoliberal capitalism and consequently for CSR. As a consequence of the conditions portrayed above, there had been a loss of confidence in the concepts of CSR and also in its glamour.

In this context, Romanian organisations' faced the dilemma of following the example of firms from countries with a long and 'successful' development of capitalism, or following their own way. This blurred situation also influenced managers' understanding and adoption of CSR. Managers found themselves in the position of answering these rhetorical questions:

1. Why should I be concerned about CSR issues when the economic results in the US are so bad and those in Europe are no better?
2. Are these companies, or could they be, a real model for us?

In light of the previous discussion, the researcher found that most of the Romanian managers expressed their disapproval of the American model of capitalism, which in their opinion, was driven only by profit. This view was strongly expressed in the statement of the interviewee A1 who said:

The [Romanian] media presents capitalism as a supreme objective, which is not necessarily good. The big corporations are driven by the thirst for money which actually generated the current economic crisis. To copy American capitalism is a stupid thing to do and therefore by following it just serves their objective to overrun the country economically.

Similar views are expressed by A3 who said:

At some stage the big corporations just ignore everything, society and even governments. For example in the US where the rich people and the big corporations refuse to pay a fair part of the tax required to recover from the economic crisis and believe that they are stronger and above the rest of society.

As an example the interviewee used the case of BP and the ecological disaster produced in Gulf of Mexico in 2010 noting:

The big corporations are responsible for the actual economic crisis and show only cheating, lying, misinformation, tax evasion, bribery, and extraordinary competition towards the maximisation of profit. Managers and directors are gratified with astronomical salaries and show no respect for ordinary employees, or concern for their jobs and the society at large. (B3)

In these harsh economic conditions and growing competition, in order to survive, Romanian organisations had to adapt themselves and proactively respond to these environmental shocks by rethinking their products or services portfolio (for example, producing more eco-friendly products), restructuring their organisations to accommodate these changes and by adopting new and more efficient management styles as mentioned by the interviewee A2 who said:

Slowly more companies have to understand that it is not enough to make a profit and pay the tax to the government. Companies have to balance their economic activity, the ethical and social responsibilities.

Even managers from local companies with a limited international experience expressed similar views such as interviewee D1 who said:

Very few outsider [international] companies care very much about what is happening in Romania. All the sly people came with intention to make quick bucks and leave. In our industry there are a lot of companies in the lawn system. They just rented the premises and the workforce. What will happen if the circumstances change? They leave. They are not serious partners.

The case of Nokia was mentioned. What Nokia did not mention, beside their fantastic CSR policy when they established their factory in Romania in 2007, was their HR policies and their commitment to the local community. The company closed their operations in Romania after just four years (2011) and retrenched almost 3000 employees leaving €10 million in unpaid tax to the Romanian government. Many other similar examples can be given such as Oltchim, Refinery RAFO Oneşti and Dărmăneşti and many more.

The previous statements illustrate the common view that in Romania it seemed that the international corporations had lost their reputation and trust. They were not considered a serious investment partner as they had grossly breached the OECD Guidelines for Multinational Enterprises, the UN Global Compact initiatives and the standards of corporate behaviour. Later on, the same interviewee added in relation to the international corporations a being model for Romanian organisations: ‘No, they just want to eliminate you from the market’.

As the research was carried out during the recession period, one can say that the opinions of interviewees were strongly influenced by the developments of the financial crisis on the international stage, which in their opinion, partially explained their hardships. Furthermore, all participants mentioned lack of government support for their industry, and its general lack of vision for the Romanian economy, both for the long and short term. In

these social, economic and political circumstances, managers' personal experiences and understanding of the world directly and substantially affected their understanding of CSR concepts and their willingness to adopt them. These preliminary discussions will provide the basis of further analysis of managers' CSR sense making.

## **8.2 Research Findings**

As presented in Table 7, the researcher discovered that a very small number of managers knew the meaning of CSR. From the researcher's direct observation, the category of 'heard about CSR' could be considered a nice form of saying 'I do not know anything about it'. It can be said that CSR knowledge, at least in the way described by the English academic literature, was not widely known as only one manager was fully knowledgeable about it and two others showed only some knowledge. This situation was a consequence of the specific circumstances in which these companies operated and also of the historical development of the country as Romania was an emerging economy. Analysing the spread of CSR knowledge showed that the media had totally lost their credibility. Academia was in the process of assimilating this knowledge which would take some time to be institutionalised in Romanian universities, and even longer in the economy. In private discussions with different Romanian research participants, the opinion was expressed, in relation to CSR, that the research findings represented the common view across industries in Romanian organisations and they were not only characteristics of the textile industry. The main way in which Romanian managers made sense of CSR was mostly a *folkway* as there was no formal CSR education for Romanian managers or communities at large. There was a scarcity in demand for CSR as the community spirit was underdeveloped and expectations were negligible.

The present research critically reviewed all the CSR elements applied in Romanian organisations by answering to the following research questions (RQ):

### **8.3 Research Question1**

**What is the gap (if any exists) in the understanding of CSR between the managers of international organisations and local organisations, and what explains this gap?**

#### **8.3.1 Introduction**

The research assumption was that there was a gap in CSR understanding between the managers of international organisations and the managers of local enterprises due to different factors identified as follows:

#### **8.3.2. Factors influencing different CSR understanding**

As revealed in the literature review chapter, in contrast with the strongly pro-CSR Anglo-Saxon view, there were new empirical comparative researchers such as Maignan and Ralston (2002) and especially Matten and Moon (2004) who found that European organisations did not show the same enthusiasm for the American version of CSR. Following the consequences of the GFC, the European governments under the EU umbrella are confronted, more than ever before, with limited financial capacities in dealing with social welfare issues and therefore strongly encouraged European organisations' to take on board more social responsibilities.

These differences in the CSR approach originated in Europe's dense, longstanding and diverse institutions which historically embedded and shared CSR responsibilities with businesses.

Matten et al. (2008) explained the way CSR was applied and entrenched in the relationship between business and society differently in the US than in Western European countries in the following way:

a main element of transatlantic [CSR] difference lies in the *institutional framework*, both on the level of informal institutions such as values and beliefs in society as well as on the level of codified rules and norms which are part of the mandatory legal framework of corporate activities.

Matten et al. (2008, p.27) emphasised that differences in CSR understanding depended on countries 'specific institutional underpinnings, and the different national contexts in which corporations operate and whose perceptions of appropriate social responsibilities they seek to live up to'. The absence of these *institutional frameworks*, of social capital in civil society and lack of business experience in East European countries and specifically in Romania explained the deficiency in social issues management (Habisch et al., 2004).

The literature review explained the Romanian national context throughout the historical development of its democratic institutions which produced different understandings of the CSR discourses between Romanian managers and their MNCs counterparts. Moreover, the literature review offered abundant evidence in support of the view that 'one size fits all' does not apply to CSR as there are numerous variables affecting the way the managers understand and apply CSR theories (Davis 1960; Carroll 1999; Garriga and Mele 2004; Dahlurst 2008; Stoian 2010).

As revealed by the field research carried out in Romania in 2011, almost all participants' concerns (93 per cent) were related to their survival, and they mentioned their limited financial capacity in fulfilling some social responsibilities such as philanthropic donations. The rest of the respondents, who had not mentioned it, also did not exclude this concern. These findings were in line with other previous research (Korka 2001; Cerami 2006; Vuta et al. 2007; Iamandi 2007; Matei and Tuca 2011) which investigated the CSR activities of Romanian companies and came to similar conclusions.

There are increasing worldwide demands on organisations to be more responsible, transparent and socially involved (Carroll, 2010) which is evident as managers raised questions over their organisations' identity and their ability to interpret social needs.

The present exploratory research carried out in Romania analysed in detail the CSR practice in Romanian firms which was greatly influenced by the managers' understanding of CSR concepts. In most of the cases, the company understanding of CSR concepts coincided with their managers' knowledge of CSR, and the manager's personal skills in negotiating the social needs with all stakeholders, and ultimately

determined the organisations learning capability (Meyer 1982; Hemingway, et al., 2004).

The present research identified that there was very little theoretical knowledge of CSR concepts by the managers or owners. From the small sample interviewed (15 people), 33 per cent of the interviewees declared that they had *no CSR knowledge*, 47 per cent of the participants declared that they have *heard about CSR*, 13 per cent had *some CSR knowledge* and 7 per cent were *fully knowledgeable*. As previously mentioned, if we add the category ‘No CSR knowledge’ (an open and clear answer) and ‘Heard about CSR’ (which may be construed as meaning ‘I know very little about it’) we arrived at a massive 80 per cent of company management teams which have no CSR knowledge.

Analysing CSR knowledge in neighboring Hungary, Astvany (2010) came to a similar conclusion after interviewing a much bigger sample (157 interviews). The differences between the two research findings may come from cultural differences, geographical representation and sample size, to list just a few of the possible variables which one can take into consideration.

**Table 6 CSR knowledge in the Textile Industry**

No CSR knowledge %	Heard about CSR %	Some knowledge %	Full knowledge %
33	47	13	7

As described above, in the Romanian textile industry the managers’ had very little CSR knowledge and therefore their understanding of CSR was mostly elicited by the researcher through analysing the organisation’s CSR performance or by conducting an inventory of the organisations’ CSR actions. In the absence of clear organisational vision and mission statements, which may embed CSR elements, the researcher analysed the organisation’s CSR performance by asking specifically which particular CSR activities they were engaged in (for example: philanthropy, OHS, the environment, etc.). These performances depended greatly on the manager or owner’s CSR sense making, their understanding of the firm’s social responsibility and their financial capability to fulfill these social needs to some extent (Vuta et al. 2007; Iamandi 2007). A managers’ personal capability in developing a rational and realistic map of the

environment in which their organisations are performing their activities will determine their ability to make sense of the elements of the environment and specifically, CSR concepts (Ring and Rands 1989, p. 342). The researcher also noted that a manager's individual judgment and his personal values impacted on the CSR approach as was stated by Kahle et al. (1989, p. 35) and Hemingway et al. (2004).

The most common CSR elements identified in the organisations visited and mentioned by the management were OHS (73 per cent), working conditions (86 per cent) and environment related issues (100 per cent) which was similar to Stoian's (2009) findings. A company's environmental assessment was a legal requirement for all organisations in order to obtain their licence to operate, which along with some forms of philanthropy, were the only external signs of CSR recorded. All managers expressed in different ways that their organisations has to take into consideration the demands of their stakeholders, such as their employees' OHS and working conditions, and the community, by offering employment for the locals and caring for the environment (Porter and Kramer 2006, p. 92) and was stated by the interviewee B1:

I believe a company has responsibility for the environment and its employees. In these days the companies have to be more socially responsible and take on board more costs with the work force and pay for all upgrades to comply with the environmental legislation.

All companies from which employees were interviewed were well established in their communities. The oldest one was founded in 1823 and their managers had worked in these companies for a very long period of time. A bond had been created between the employees and management as described by the interviewee A1:

I worked in this company for many years and we all suffered the consequences of the downsizing following the collapse of communism. I have seen a lot of suffering and when I had the chance, I stepped in and I worked hard to save the factory and the jobs. I feel responsible for the employees whom I have known for many, many years.

In most of the cases studied, the managers treated the employees as part of an extended family and proactively and positively provided for their needs. One of the managers



expressed great concern in relation to the ageing workforce and lack of interest from the younger generation in taking a career in the textile industry. The managers of this company were willing to take the responsibility to qualify this younger generation but they were dissatisfied by the responses they got. These actions of the Romanian managers clearly related their *intuitively* assumed responsibilities and answer Carroll's (1998) question: 'What is business expected to be or to do to be considered a good corporate citizen?' All managers interviewed were committed to their organisations' success and to the employees' wellbeing, which clearly shows their goodwill commitment to being a 'good corporate citizen'.

### **8.3.3 Conclusion**

One can say that the Romanian managers embedded in their daily routines some CSR elements which came not only from the external pressure of MNOs and NGOs present in Romania, but also from their own cognitive map of the surrounding environment and included actions such as increasing productivity, improving working conditions, qualifying the work force, and fulfilling tax requirements, etc. This map determined their relationship with their stakeholders (government, employees) as underlined by Weick (1995) and Brikson (2007) and was also emphasised by the statements of interviewees A1, A2, B3, D2, D3.

The Romanian managers constructed their own meaning of CSR according to the conditions existing in their perceived environment (Weick 1995) and implemented only those CSR elements 'perceived' as important in their business model of their 'perceived organisation'. In this context one can say that the meaning of the word 'perceived', as it was used by Weick, corresponds for Romanian managers with the CSR sense making in the environment identified by the manager in the specific conditions of Romania. The meaning or sense of CSR 'perceived' by the Romanian managers was not necessarily fully comprehensive, as in Western countries, but it was the most acceptable meaning in their particular circumstances.

In the process of CSR sense making, one has to take into consideration all personal characteristics of the managers such as their level of education, age and past experiences, and the motivational factors existing in these particular circumstances, as Pfeffer (2005, p. 128) believed: 'what we do comes from what and how we think'. The research concluded

that at the end of the day, the outcomes of CSR are much more important for all stakeholders than the correctness of their understanding of CSR (Basu, 2008). The Romanian managers' CSR sense making was supported by analysing the findings of the second research question.

## **8.4 Research Question 2**

### **What concepts of CSR do Romanian managers use to guide their CSR approach?**

#### **8.4.1 Introduction**

As shown in previous chapters, CSR theories as such were little-known to Romanian managers. However, there are elements of CSR which are present in Romanian organisations and in this chapter the researcher identifies: which elements of these well known CSR theories could be identified in Romanian organisations' activities; see how and why these CSR theories are intuitively used by Romanian managers; and determine how Romanian managers explain their actions. There is the general view that the adoption of CSR concepts should bring in positive social changes and better financial performance. Therefore, it is important to identify if these CSR actions are really bringing into Romanian organisations positive changes and how managers responded to these demands.

#### **8.4.2 What concepts of CSR do Romanian managers use to guide their CSR approach?**

As described previously CSR is influenced by the social institutions operating in the country, existence of a social capital in communities and the existence of favourable economic conditions (Maignan and Ralston, 2002; Matten et al., 2004; Habisch et al., 2004). The specificity of the Romanian economic context is determined by the characteristics of the participants (mostly SMEs) and their ability to understand and apply CSR concepts and theories.

In order to answer this question, the researcher had to identify the research participants (see the literature review for the CSR stakeholders) and therefore applied Aguilera's (2005) CSR participants' taxonomy and afterwards analysed their CSR views. Garriga and Mele's (2004) comprehensive classification of CSR theories offered a large

spectrum of CSR views to be analysed in the light of the Romanian managers CSR understanding, and which may have influenced their CSR adoption.

Aguilera (2005) identified four levels of participants/actors involved in CSR: individual, organisational, national and transnational actors. Aguilera argued that these participants adopted CSR concepts for relational, instrumental, integrative and moral considerations. Research conducted in Romania by Stoian and Zaharia (2009) clearly showed that the motivation of Romanian managers in implementing CSR is different from their Western counterparts and was determined by the different levels of social, political and environmental requirements of Romanian society.

Following Aguilera's (2005) classification, at the individual or *organisation level*, there is a multitude of CSR research (Gill & Leinbach 1983; Wokutch 1990; Kapelus 2002), but very few comparative studies have been done which focus on the economic and cultural differences between countries. In the Romanian economic environment 93.7 per cent of enterprises created in the last two decades are SMEs, according to the National Institute of Statistics 2011, with 11 being the average number of employees. CSR concepts were unfamiliar, or very new, to the managers or owners of these SMEs. Therefore, EU institutions focus on explaining the important association between SMEs competitiveness and their CSR activities. The SMEs' responses to these efforts were mostly from the legal compliance point of view and their enthusiasm for CSR rapidly diminished as the results on their bottom lines are perceived as not significant and or not immediate. On the other hand, the concept of CSR has suffered significant erosion as the Global Financial Crisis (GFC) was largely attributed, by the Romanian general public, to the big corporations and their unethical behaviour (see interview A1, A3, B2, D1) and showed total disregard for their pompous CSR statements.

SMEs' adoption of CSR was mostly affected by the manager/owner's ability to make sense of the CSR concepts and his own individual values. In some circumstances companies' CSR activities were regarded as common sense, but because there was no reporting system in place, their actions remained unnoticed (Oancea and Diaconu 2007a). The research identified, at the organisational level, CSR elements related to the improvement of technologies applied in the workplace. All organisations interviewed were ISO 9001 accredited and applied Romanian Health and Safety Standards, which

enhanced the organisations' competitiveness. Other CSR elements present at the organisation level were related to the environment. This was strongly regulated by the environmental legislation and is separately analysed in the thesis. There were also changes due to new industrial relations legislation regarding the relationship between employees and employers.

At the organisation level, there were limited and sporadic philanthropic actions which were seen as CSR actions of the SMEs such as supporting hospitals, schools and sporting events in their local communities (Allavida 2003; Interviewees A1, B1, C1, and D1). In this context all research participants, mentioned their limited financial resources as a reason for their limited philanthropic activities.

In conclusion, the present research identified evidence of the following CSR aspects at the organisational level: international accreditation, OHS, environmental regulations and philanthropic activities. This is in line with the results of similar research carried out in Romania by Stanciu, (2002), Oancea and Diaconu (2007a) and Stoian, et al, (2009) and in other countries: in the US by Aguilera (2005), in Greece by Diamantopoulou (2005), in Russia by Horowitz (2009), and in Poland by Lewicka-Strzalecka (2006).

In Romania, adoption of CSR views in their Western form required, at the *organisational* level, major social and political transformation. In order for CSR concepts to be adopted at the managerial level, it required the implementation of a different organisational culture based on a clear vision and mission and a change of leadership style, as usually the CEO/ manager/owner was the architect of the management philosophy which may or may not include CSR.

Certainly there was pressure on firms *internationally*, to increase and broaden their social responsibility practices in order to fulfil continuous growing social demand (Henderson 2001; Freeman et al. 2001; Logsdon and Wood 2002; Davies 2003).

Romania was not an exception to the trend and there were internal and external factors which stimulated CSR initiatives as a result of the integration of the Romanian economy into the wider European Union market, including growing foreign investment and the presence of NGOs (Korka 2004; Stoian and Zaharia 2009). Porter and Kramer (2006) found that organisations used CSR as a competitive advantage looking to get a socially approved 'license to operate' in their corporate marketing which was also a CSR

dissemination instrument. The present research revealed that some of the Romanian organisations' internal CSR activities, such as OHS and employees' working conditions were largely used as a competitive advantage.

At the *national* and *international* levels, Romanian companies, and especially those from the textile industry, were subject to ferocious competition from MNCs. Once those corporations penetrated the Romanian market, they brought with them their business models based on a CSR approach (Korka 2004, 2005; Vuta et al. 2007).

Public opinion regarding the MNCs and their contribution to the dissemination of the CSR concepts, suffered a rapid change as the increasingly negative effects of the financial crisis, anti-corporation activism, and media criticism of the corporations took effect. The economic recession substantially changed the views of managers and their organisations towards the MNCs, and their contribution to the spread of the CSR, through numerous scandals widely publicised by international and local media (Cohen et al, 2010).

At present, the research suggests that public opinion was against the big corporations which were viewed as generating the economic crisis with their 'irresponsible' behaviour Crotty (2009, p. 2). The majority of the participants in the research (80 per cent) mentioned that they were not an example to follow and, as an extreme, interviewee D1 regarded MNCs as having a destructive effect on the Romanian economy. Interviewee D1 gave examples of Private Foundations Robarts, from the Netherlands Antilles, and Armante Investments Limited, from Cyprus, which, through a corrupt privatisation process and in the absence of an adequate legal system, bought competitive Romanian companies (APACA), bankrupted them, stripped them of all equipment, and relocated them. As a consequence, there was now no companies, no jobs and no hope in the community. In these circumstances there was no wonder why there was such a strong resentment against MNCs with their pompous CSR statements and which ended up having low impact on local organisations and communities. The following statements are representative from interviewee A1:

The image of capitalism is totally distorted and it is an illusion. It is not social responsibility; it is just giving to the beggars. If the company does not

reach their level of profit, they move their activities to countries with cheap labour, disregarding the needs for jobs of the locals.

Or interviewee D1 who stated:

From our experiences, and from the experience of other companies in the textile industries which we have known for many years, the foreign companies are not necessarily an example for anybody. For example, the company which bought APACA destroyed the company. Now there are about 400 employees left from about 3,000. The machinery disappeared. We are in court with an Italian company which refuses to pay for the goods delivered for over 2 years. The money blocked there for so long time could be very useful to the company now when we are in a critical situation.

According to the United Nations Conference on Trade and Development (UNCTAD, 2005), MNCs were significant actors in world economic development accounting for 33 per cent of world exports and 10 per cent of world GDP. Regardless of these statistics, some researchers in international business (e.g. Jamali and Mirshak, 2007; Lindgreen et al, 2009; Moyeen and Huq; 2012) strongly disagreed with the ways MNCs exercised their power in the host countries. In Romanian circumstances, as revealed by the field interviews, the communities expected MNCs to be considerably more involved in sustainable development of the host communities and countries.

#### **8.4.3 Why Romanian managers applied CSR elements**

A substantial proportion of the CSR literature recognised that each stakeholder's own characteristics, such as the specific economic, social and cultural environment they operated in, and their different objectives, would define their particular view of CSR (Aguilera 2005). Therefore, some CSR theories applied in management practices may have a different nuance in the current Romanian economic, social and political context (Stoian et al. 2010; Margolis and Walsh 2003; Campbell 2007). Like anywhere else in the world, there were firms in Romania which adopted CSR concepts in both a reactive and a proactive manner, as a response to external and internal factors, such as competition from MNCs, compliance with new legislation, and increasing demands from local communities. On the other hand, some organisations introduced CSR just as window dressing considering CSR as a 'nice to have' item on the agenda, while other

organisations embedded CSR principles into their management philosophy as observed by Stoian et al. (2010) and interviewee B1:

I am not sure if they are really socially committed. The American business model collapsed and has no more credibility. The European model is not much better so what model should we look at. The size of the profit is everything.

Interviewee B2 stated:

The multinationals will be involved socially to the point that is convenient for them. You must be a fool to think in any other way.

Or interviewee B3:

I believe that in general the multinational corporations are not very much committed to CSR, and we can look at BP and the disaster they created.

In analysing the reasons why companies adopted CSR, Garriga and Mele (2004) identified four theoretical interpretations: the instrumental theory, relational theory, political theory and integrative theories.

The *instrumental* theory was concerned mostly with organisational egoistic self-interest, viewing an organisation as an 'entity' and promoting a quasi *egoic* position in society (Garriga and Mele 2004; Aguilera 2005; Driver 2006). Instrumental theories viewed CSR as an *instrument* in creating a competitive advantage and maximising shareholders' value while also doing good (Porter 1980). In Romania, Stoian (2010), Oancea and Diaconu, (2007a) and Popovici (2007) shared the empirical view of CSR as providing instrumental 'drives' for Romanian corporations but Stoian pinpointed the essential differences:

[Romanian] Companies tend to perform socially responsibly only in the short-term, and in disparate actions, without having an integrated strategy for medium or long-term. For many companies there is no link between their CSR and their core activities, thus failing to gain any strategic advantage from such an activity. This type of CSR is likely to have minimum effects on both companies and stakeholders and it is likely to

erode the trust in the CSR agenda and its sustainability. (Stoian et al. 2010, p. 422)

In light of the previous studies cited above, the present field research showed that, even when CSR has a very limited meaning for the majority of the company managers, CSR elements clearly identified as OHS and working conditions are applied with the view of creating a competitive advantage by increasing loyalty and productivity. Ultimately it was hoped that the company's bottom line would be increased, as the interviewee A3 said:

In our management philosophy the employee's wellbeing and the work environment is very important as the employee is much more productive in good working conditions.

A similar view was expressed by the interviewee C3 who *ad litteram* suggested:

It is very important to have good working conditions which will increase productivity, quality of the products, and will create employee loyalty.

Following from this, the *relational theory* was mostly concerned with relationships among stakeholders and the manager's duty to get into a dialogue with the stakeholders, encouraging their participation in the decision making process—stakeholder management theory (Freeman 1984; Garriga and Mele 2004; O'Riordan and Fairbrass 2008). For example, a survey on CSR conducted in the US, the Netherlands, France and the UK by Maignan and Ralston (2002) measured communities' requirements for socially responsible behaviour and found major differences in community expectations across the countries reflecting their economic, social, political, historical and cultural differences.

The present study highlighted the statement made above, extending it to the differences in the meaning of CSR in Romanian companies in the current economic, social, political and cultural context. A company's socially responsible behaviour exhibited significant differences according to the different characteristics of the company and the management team. More educated and open minded management teams, with greater Western business culture exposure, were more open to integration of some social



demands in their management philosophy. For example, the owner of company A, being also interviewee A1, believed:

I am promoting emotional intelligence in the company management philosophy, but also I have established clear boundaries for how far I am going in accepting these social responsibilities. People with no clear affiliations to these basic human requirements have no place in the management of any company.

Similar views were expressed by interviewee C3 who said 'It is very important to involve the employees in the company's success and reward them when the company is successful and they will come to work with pleasure'. A wider view of the stakeholders and their involvement in the decision making process was expressed by interviewee C1 who asserted: '... [We look at the] creation of a stable customer base by involving the local furniture manufacturers and have a long term relationship with our suppliers'.

The interviewees' statements clearly showed the limited understanding of CSR and the role of stakeholders and their involvement in the organisational decision making process. The government's involvement in a company's decision making process, as one of its major stakeholders, was regulated by specific laws concerning employment, environment, tax and OHS. What was common in these statements was the absence of community involvement which shows the limits of CSR understanding and the lack of community social capital in demanding more social responsibilities. As Oancea and Diaconu (2007c) concluded, stakeholders' involvement in an organisation's decision making was hard to measure, as in Romania there was no requirement for CSR performance reports.

The *political theory* focuses on the interaction between businesses and society which is mostly viewed as an exercise of power: businesses' social power versus societal power (Davis 1960). The businesses' social power came as a result of businesses owning resources, financial, material, and technological, and through creating jobs. The social power came from citizens using an organisations' products and their social acceptance, or 'license to operate'. It was accepted that the society generally restricts an organisation's power by imposing legal compliance, taxation and environmental duties on businesses. This could be called a social contract between businesses and society in

which the businesses take on board social responsibilities—the integrative social contract theory (Donaldson 1982), and the company becomes a responsible member of society, or a corporate citizen—the so called corporate citizenship theory (Davis 1973).

If one examines these theories under the microscope significant differences are revealed. Generally, it was recognised that at all social levels Romanian civil society was not fully functional due to a lack of institutions and its historical and cultural inheritance. Government institutions were weak and inexperienced exploring new territories, and therefore, the economic and social results were unsatisfactory compared with Western countries and developments were slow. For example, the conditions of labour practice, environmental management, and transparency in general, and in particular CSR understanding, were not acceptable according to Western standards. This was mostly due to relatively reduced compliance with existing laws and insufficient demands from civil society which was not aware of, and very little educated in, this field. Interviewee D3 concluded:

We live in a very individualistic society and as far as we have laws which are not applied, I cannot see any substantial progress for CSR in Romania in the near future.

The CSR concepts required transformation across the entire society and especially required changes in business philosophy and attitude. At the beginning the concepts were seen as a challenge to business, but at the same time they were also a challenge to the government, civil society, non-governmental organisations, and academia. In the case of the present research, interviewee C3 expressed his position in this matter:

Personally I believe that we are far from applying the CSR concept in Romania. We have to start educating people from school to understand why it is important to apply CSR. Also if there is not a legal requirement for CSR and no one applies it, why I should do it?

There were groups or organisations, such as Centrul de Resurse pentru Societatea Civilă –(Resources Center for Civil Society), which were smoothing the progress of changes and acted as an associate to businesses helping them reach societal expectations and deliver ‘public good’ through supportive discussion, and community training and

learning activities. In the meantime, ‘businesses should also expect to be as accountable and transparent as society now expects business to be’ as expressed by the Foundation for an Open Society view expressed also by Visser (2010, p.327).

In Romania, the textile companies were acting as good citizens, developing their local communities by creating employment, providing qualification for locals, contributing to infrastructure development like roads, and addressing the community’s environmental concerns (Băleanu, et al., 2011). Interviewee C3 also stated:

Our workforce came from the local community. We are an SME emerging from this community and we do whatever we can to create the best working environment we can for our employees. We are offering jobs with priorities to the locals and in return we get a very good loyalty.

These were very important factors for a country like Romania where the government involvement in this area was inadequate (Korka, 2004; 2005) and where corporate and community associations could go far in contributing to the local economy, meeting the society’s needs and promoting the conservation of the environment (Stoian, et al., 2009)

## **8.5 Research Question 3**

**How do Romanians managers enact CSR concepts in their organisational contexts?**

### **8.5.1 Introduction**

Enactment is a synergic process applied to companies, their environment and strategic management. According to Weick’s (2001) meaning of enactment, it was related to people’s actions based on selection or ‘limitation’ of events in their environment (system) in order to avoid undesirable outcomes. The present research argues that Romanian managers’ CSR understanding was greatly shaped by their environmental interpretation (Weick, 2001) which determined their decisions with the objective of generating the best organisation outcome. The chapter looks at interpretation of the environment as a process and how the participants constructed and enacted the perceived factors which shaped their decisions.

### **8.5.2. Romanian managers' environment interpretation and CSR sense making**

In order to answer to this research question, the researcher extracted key words from the interviews (see the interview answers attached at Appendix 5), correlated them, and linked them based on the similar meanings of their key words (for example, environment, OHS and legislation). Using this method the researcher attempted to understand what the Romanian managers perceived the meaning of CSR to be, what actions this meaning generated and how CSR was enacted. A similar method was used by Yudarwati (2011, p.1) who stated:

Using enactment theory, the CSR practices are constructed through an interactive and cyclical process involving organisations members' interpretations of their environment. There were two processes involved: (1) the process to select the interpretation towards the environmental, and (2) the process to decide how to act upon the interpretation chosen.

Enactment theory enabled the researcher to differentiate Romanian managers' rationality for strategic and routine behavior. The present research found out that the interviewees' interpretation of these two factors depended very much on the managers' capacity to interpret the environment in which their companies operated. Right from the beginning the researcher had to declare that the sense making of any situation, surrounded by a complex environment such as that of the Romanian economy, took place as a process. No one individual or organisation comprehended the environment completely or at once. Comprehension was a process which correlated to the individuals' or the organisations' identity within the environment. Comprehension could be seen as fitting together pieces of a puzzle containing different critical situations which were organised according to an individual's or an organisation's declared objectives. As described in the literature review chapter, there are multiple theories and many views of CSR which very often overlap. To embed any of this whole host of theories in the emerging capitalism of Romania, a manager had to make sense of CSR with only a limited knowledge of these theories. They did so instinctively and intuitively by selecting from the surrounding environment the data (cues) which they perceived as valuable to them and their organisations. Managers did not evaluate various meanings of CSR, as these theories are unknown to them, but instead they

evaluated the actions required and the organisation's goals and made a rational choice of how they would interpret CSR. Organisations and their managers' acted in the way they did to produce results (a profit) and therefore their actions had to be rational and reasonable. It was assumed that companies operating in the same environment would act in similar ways to stimuli such as CSR, creating a pattern. This may or may not happen as there would be factors which would determine organisations' actions, but all this cumulative knowledge would create a public body of knowledge which would determine an organisation's rational social action(s). This could be seen as an illustration of Weber's (1978) 'Social Action' theory and could be correlated with the communicative action theory of Habermas (1984), which made a clear distinction between how these theories or knowledge was communicated (communicative actions) and the material actions taken. A manager's perception of CSR had to be correlated with the manager's own identity characterised by their level of education, responsibility, ethics, position in the community, shared past experiences and 'credible' (accepted) stories / narratives about an event (Ojha 2005). The data available to the managers was analysed according to a *frame model*, which created logical connections of disparate meanings from which they could extract empirical uniformities generally accepted in the organisation or in the community. The *frame model* organises disparate empirical findings in the economic environment according to their value for managers and their organisations, and which are indirectly accepted by the employees and the community through the outcomes of the managerial decisions (such as better OHS and working conditions, their approaches to the environment, philanthropy, and the like).

The sense-making stages used by the Romanian managers identified by the present research, had the following sequences:

1. The managers had to *identify the situation* as best as they could, which was not an easy task, as the Romanian economy was in a transition process with many variables (such as a weak legal system and volatile economy) and this was made even more difficult by the GFC which left Romanian companies with a very limited financial capital. This aspect explained differences in managers' CSR decisions even though they were in relatively the same business environment, and also explained the managers' different relationships with their stakeholders.

2. In the following stage, the Romanian managers developed their *framework model* based on accepted systems of values, and established the logical sequences of connections between environmental data, in our case the CSR elements, and the sense making (interpretation) of this data, in order to support the various stakeholders involved (employees, the community at large and the organisation). Selecting the relevant data as a foundation for the *framework model*, and based on these logical sequences, they *constructed a story* which was told during the interview process. With the aim of making sense of different conditions, the managers extracted some of their cues from information available, eliminating the non-useful data (or noise) according to their previously established and accepted *frame models*. The created categories were based on actions normally regarded as CSR: OHS, fair remuneration, care for the environment and competitive advantage. Finally these categories were evaluated according to the expected outcomes (Vicks 1995; Basu and Palazzo 2008).
3. According to the information elicited from the Romanian managers interviewed, they had to *reframe* their mental model of thinking and rethink the environment in order to accommodate all the changes occurring in the environment, specifically the demands of CSR.

This model of interpreting and evaluating the environment determined managers' relationship with the organisation's stakeholders as expressed by Brickson (2007, p. 877) '...how businesses relate to stakeholders and why they relate to them as they do' which applied also to Romanian organisations. However, Romanian managers understood that CSR actions were processes which 'managers are likely to adopt in coming up with their own view of what constitutes appropriate relationships with their stakeholders and of the world in which they exist' as Basu and Palazzo (2008) suggested. The field research led the researcher to the view that the meaning of CSR held by the Romanian managers was strongly influenced by their company identity and the managers' relationship with stakeholders which determined their future decisions. At this point the research identified the following aspects which showed the process and the level of CSR understanding and implementation:

- The companies involved in this research were well established and were part of their communities for many years ranging from 15 years up to 150 years. All organisations participating in the research had a very good reputation among the population of textile companies and their communities of residence and perceived themselves as ‘good citizens’, having taken on board some social needs according to their financial resources. This was mentioned, without exception, by all interviewees and was very well stated by interviewee A3 who said:

Slowly more companies have to understand that it is not enough to make a profit and pay the tax to the government. Companies have to balance their economic activity and the ethical and social responsibilities.

- Most Romanian organisations were valuable members of their communities and understood their role in job creation as was explicitly mentioned by interviewee C1:

It is good [for community] because I create jobs and I develop the wellbeing of my employees.

- The managers of the companies interviewed (interviewees A1, B3, C1) saw themselves, and most importantly the employees saw them, as:

- a) Guardians of the company.
- b) Part of the ‘big family’ of the employees as most of them emerged from this ‘family’.
- c) On behalf of the company, and as part of the community, responsible for the wellbeing of the employees and the community to some extent, and
- d) A role model for the employees and communities.

In these circumstances, consideration of managers’ excessive personal gain or rent extraction was excluded. First, the companies could not afford it; secondly, it would portray the manager in a bad light; and thirdly, it was against the managers’ ethical values which vigorously were underlined by the interviewee A1 by saying:

I am supporting the image of a privately’ owned company with a human face. The profit is not everything.

The organisations participating in this research were not isolated, they were part of a bigger family of about 7200 companies with 450 000 employees, and there was the assumption that all of these organisations, acting in the same environment, would come to the same meaning of CSR. This was not the case and was revealed by the interviews carried out in 2011.

Regarding this aspect Basu and Palazzo's (2008, p. 10) analysis of CSR sense making looked at organisations as part of a larger group or a 'community of organisations', comparing their CSR activities and discovering the commonalities or similarities in their understanding of CSR. Extrapolating from Basu and Palazzo's (2008, p. 10) view, Romanian managers analysed the commonality of their organisations' meaning of CSR expressed in their CSR engagement and activities and adopted a *collectivistic* meaning as expressed by the interviewee D3:

Also if there is not a legal requirement for CSR and *no one applies it*, why should I do it?

*No one applies it* was the collectivistic approach to CSR and definitely had a much wider meaning than for organisations from the textile industry as the media frequently broadcasts CSR information.

From the discussion above, the *collectivistic* meaning of the companies' social responsibilities was emphasised, based on the *relationships* between various external stakeholders which gave the companies and their managers the legitimacy they needed. A manager's *individualistic* orientation (excessive rent extraction or benefits) was limited by the employees or the community at large, and a company's *individualistic* orientation would be limited by the stakeholders in various forms (the taxation department, environmental inspectors, and OHS inspectors). Companies with a strong *individualistic* approach would portray an image of 'being the best' in all aspects including CSR which, if not supported by their social activities and performance, would badly damage the company image and CSR. This observation was also made by Stoian (2009).

An aspect of Romanian companies engaged in CSR activities, and which is worth noting, was CSR *consistency* which was given by organisations' continuous



commitment to the CSR cause. Assessing this aspect was difficult as Romanian organisations did not report any non-financial data, as explained by interviewee E1 from the Romanian Bureau of Statistics; therefore, the analysis is limited to the participant companies. Similar statements related to non-financial data were made by Sethi (2003) in the UK and for Romania by Stoian et al. (2009). The only public CSR reports came from MNCs as a requirement from their mother companies based overseas, or as a requirement from the stock exchange if they were a listed company and were listed overseas. Recently the Romanian stock exchange moved towards making CG and CSR reporting mandatory for listed companies. To complicate the situation further, the companies which were participants in the present research did not have any clear long term objectives which included CSR activities.

In terms of the *authenticity* of CSR engagement, all Romanian organisations and their managers interviewed were 100 per cent honest. In this light, even the meaning of CSR in the Western way was largely unknown; managers choice of CSR activities were voluntarily and intuitively selected according to the organisation's objectives, managers' personal interpretation of their social responsibility and their ethical values.

Generally speaking, the Romanian companies' sense making of CSR was based on what 'social' meant linguistically to them, and what 'responsibilities' the organisation was willing to accept. For most of the companies' managers (90.6 per cent), linguistically 'social' meant employees' needs and therefore CSR was viewed as the company's responsibility towards their employees. In very few cases, the meaning of 'social' was extended to the community as a whole, and when external social responsibility was mentioned, the meaning given was the environment and paying tax which was assessed as a social duty. What is interesting to mention here was the fact that Romanian organisations, and consequently their managers, were able to discern between corporations' bad behaviour and the rationality and usefulness of the CSR concepts as revealed by the interviews. In terms of CSR usefulness, all interviewees agreed that CSR was useful and sooner or later CSR concepts would be applied by all companies regardless their size (interviewees A1, B2, C1, C3 and D1). Specifically, interviewee A3 asserted: 'soon Romanian companies [will] have to adopt a new business model which will include, as a long term strategy, CSR'. Interviewee C3 said: 'In an appropriate business environment, I do believe that this concept can be useful'.

In terms of *applying* the CSR concepts, views were divided. Romanian organisations generally viewed themselves as not ready to fully adopt CSR concepts as they were in a weak financial position. Most of them (86 per cent) mentioned that they would definitely consider CSR activities as their financial performance would improve, as was expressed by interviewee D1:

No doubt CSR is useful. The companies [at the time of interview] have no financial power to engage it but definitely in the future all will be engaged in these activities or concepts as you name it.

Without denying the usefulness of the CSR activities, two managers expressed views that were out of the ordinary. The GM of company D, identified as interviewee D1, said that 'Unfortunately the profit is in first place and CSR is in second' which placed him closer to Friedman's (1970) position which totally rejects philanthropy; and the second manager from the same company mentioned that profit was what counts at the end of the day.

There was a strong relationship between managers' personal characteristics, such as leadership style and ethics, and their organisations' commitment to CSR (Carlson and Perrewe 1995; Ramus 2001). In the case of the present research, all managers interviewed passed the natural selection process after the drastic transformation of their organisations following the transition process from a state controlled economy to a free capitalist one. The employees in all companies involved in this research recognised the decisive contribution of the managers to their companies' survival in the process of transition.

In these circumstances, all managers interviewed had a very good reputation inside their organisations and the surrounding communities, exhibited a high level of integrity and dedication to their staff and company, and showed '...the basic need to meet commonly accepted ethical principles of 'good behavior' as Wilson (2000, p. 13) asserted. They showed a real interest in the concepts of CSR and the researcher managed to raise awareness about CSR and the benefits that it could offer their organisations. Moreover, based on observations made during the interview process, all of them needed some form of personalised management training as they were not fully knowledgeable in some areas such as CG, CSR, leadership and marketing.

### **8.5.1 Conclusion**

CSR is a concept encompassing multiple views which makes it necessary for Romanian managers and organisations, to adapt their CSR understanding and sense-making according to their stakeholders' expectations. The sense, or the meaning, of CSR perceived by the Romanian managers and their organisations, had a deficient cognitive aspect as it was an intuitive process, where very few elements are institutionalised and suffered from a lack of consistency. Even in these harsh conditions, all of the interviewees agreed that CSR could be, or was, a source of positive changes in the textile industry, adding moral value to the company and ensuring long term sustainable development. In the specific Romanian circumstances, the CSR concepts were innovative and inspirational sources for all Romanian managers.

In the last five years, there was substantial evidence in Romanian and international media that the reputation of corporations had fallen dramatically (Davis, et al. 2000; Badulescu, et al. 2008). This situation could be explained by the relationship between corporations and the society at large, and was based on an asymmetrical power balance where power was used in unacceptable way. Romanian managers are, therefore, very skeptical about adopting CSR, especially when this concept was presented in a pompous way by the international corporations, who contributed so little to the wellbeing of Romanian society. These findings are in line with what Sethi (2003, p. 45) describes: 'some companies may seek legitimacy engaging a flood of public relations rhetoric that are invariably short on specifics and long on generalities, magnanimous in promises and stingy in accomplishment'. The research revealed that a considerable number of Romanian managers rejected the Western economic model (interviewee A1, D1) promoting common sense in management, a sensible approach to the concept of CSR, and selecting intuitively which elements of the CSR concept were affordable and made sense to them and to their communities.

## **8.6 Research Question 4**

**What is the organisation's process in respect to CSR adoption?**

### **8.6.1 Introduction**

The answer of the present question tries to clarify what are the steps taken by Romanian managers in adopting CSR activities and driving their organisations to behave ethically.

### **8.6.2 CSR adoption process in Romania**

Prior to answering this question, the researcher looked at different adoption processes described in the specialised CSR literature in order to compare the research findings and build a theory of adoption which is the theoretical contribution to the body of CSR knowledge. The similarities and differences were emphasised and the process of CSR adoption by Romania managers identified.

There has been little research conducted into the process of adoption of CSR generally, and even less regarding the CSR adoption process in countries with economies in transition (Haberberg et al. 2007, p. 2). Therefore, answering the research question is an important contribution to the process of understanding how and why CSR is adopted and the connections between different stakeholders involved in this process.

The general process of CSR adoption described in the literature (Carroll 1979; Wilson 2000) suffered significant mutation in the Romanian context as the research data reveals. The theory of CSR adoption is based on Wilson's (1975) model of reaction, defense, accommodation and pro-action (RDAP) which was extended by Carroll (1979). This model was updated according to present economic, social and political circumstances. Some of the aspects of CSR adopted by the Romanian organisations and their managers were instrumentally and relationally based and were extensively analysed in relation to the previous research questions. Other aspects of the understanding and adoption of CSR by different stakeholders will be analysed separately in great detail.

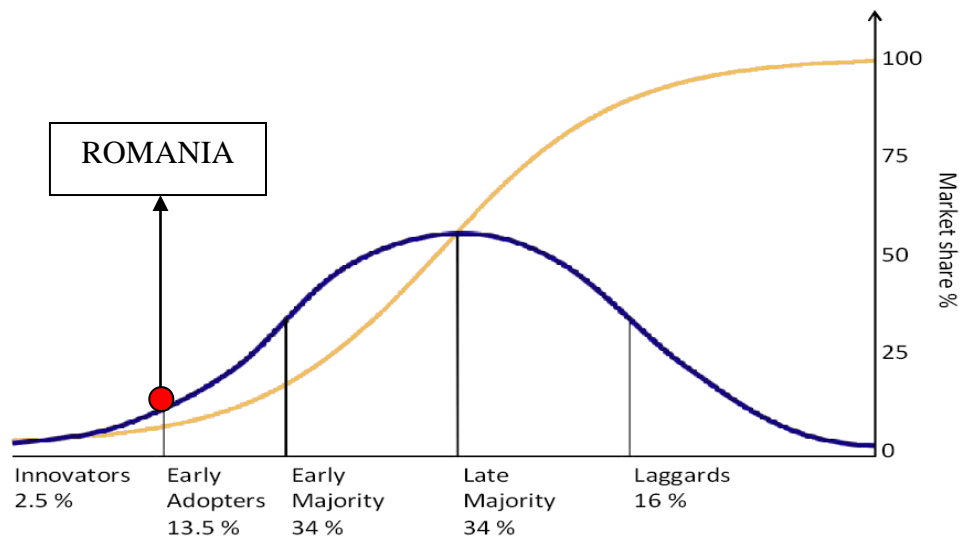
### **8.6.3 The Theory of Adoption**

Even though concepts of CSR have been around for some time, there continues to be confusion and debate in defining them and even more confusion between practitioners who are looking at the cost versus benefits of CSR and the rationality of adopting CSR. The elements of CSR present in Romanian organisations' activities were mostly in place to comply with Romanian legislation and EU requirements. The CSR negotiations between the social partners have a long way to go in order to meet international

standards of social responsibility. In the light of the above views, the following statement of the interviewee D3 was relevant:

Personally, I believe that we are far from applying the concept of CSR in Romania. We have to start educating people from school to understand why it is important to apply CSR. Also, if there is not a legal requirement for CSR and no one applies it, why I should do it?

Similar views were presented by Stoian (2009) who said that Romanian organisations have not integrated CSR into their 'core' activities and there was no collective or community *consciousness* of the concept of 'creating shared value'. For the managers of Romanian organisations, these concepts were innovative, totally new, confusing and difficult to understand. In order to understand how CSR concepts were adopted, an understanding of how CSR knowledge was spread is required. For this purpose the researcher drew upon the theory of Diffusion of Innovations (Rogers 1962) which explained what, how and why new ideas, such as CSR, spread through different cultures. According to Rogers (1962) an innovation's diffusion (CSR in our case) was a process of communicating the innovation throughout multiple channels existing between the members of a community (organisations and their managers in our research). Tarde (1903) introduced the 's' graph which was named as the *logistic* function of diffusion by Rogers (1962). In the following graph Figure 8, the dark blue line represents the group of organisations knowing and adopting new and innovative (CSR) ideas and the light yellow line represents their market share. The assessment of the present research data regarding Romanian managers' level of CSR knowledge found them in the early adoption phase on Roger's graph below and is shown by the red dot. Similar findings regarding CSR were reported in Hungary by Asvany (2010).



**Figure 8 Level of CSR adoption**

Adapted from: Rogers, (1962), Diffusion of innovations, p393.

In the specialised literature of the dissemination and adoption of new and innovative social ideas such as CSR, Rogers' (1962) five phases process seems to be generally accepted. The process of CSR adoption suffered mutations in Romania due to cultural, economic and political circumstances. However, in Romania in the CSR *early adoption* phase (Rogers 1962) the present research identified seven stages: *knowledge, affiliation of the knowledge, assessment, decision, adoption, implementation, and confirmation*.

As previously discussed, Romanian organisations did not report any non-financial activity which made the assessment process very hard and, in the case of this research, the assessment is limited to the managers interviewed. In regard to Romanian organisations, the seven stages of CSR adoption process were characterised by the following elements:

### **8.6.3.1 Stage 1: Knowledge**

In Romania there was a lack of CSR knowledge. Most of the Romanian managers interviewed were exposed to the concepts of CSR for the first time by the researcher as stated by the interviewee A1 who said:

No, I have not heard anything about CSR.

The level of CSR understanding was determined by the level of the managers' education and the legal system in place. Interviewee B1 stated:

No, the term is unknown to me. Even in my conversation with the minister's representatives for the Textile Industry the term was never mentioned. Probably we name it differently,

Interviewee C2 said that:

It is a vague concept. Maybe I know it under other name or maybe in the Romanian language we name it differently.

Generally CSR concepts were confusing and did not promise any quick and substantial improvement to the organisation's bottom line and therefore the organisations and their managers were not very much willing to discover more about CSR. Interviewee C1 stated:

Listen, if the government does not care, why should I? I do everything legally and the tax is killing my business. What exactly is expected from me? This CSR is too sophisticated for me. I am busy running my business; I do not need anything else.

#### **8.6.3.2 Stage 2: Assimilation of CSR knowledge**

Very few Romanian managers were in the position of actively looking for more information about CSR concepts in order to understand and assimilate this knowledge and to implement the concepts into their management philosophy. Interviewee B1 stated, 'CSR is useful and I would like to know more about it'.

Similarly, interviewee D1 said:

I have no doubt that CSR is useful. The companies have no financial power to engage in it but definitely, in the future, all will be engaged in these activities or concepts as you name them.

All Romanian managers participating in this research offered as reasons for not adopting wider CSR activities their weak financial resources and lack of government

stimuli as stated by interviewee B3: 'Bigger companies have more financial resources and can be more socially oriented'.

Interviewee A1 said:

There is no stimulus for adopting a more socially responsible activity for organisations... The government has no money for any kind of financial initiatives to support companies, with or without CSR programs, which has resulted in many SMEs closing down.

### **8.6.3.3 Stage 3: Assessment of CSR requirements**

At this stage an organisation assesses the cost and benefits of applying the new CSR concepts and its decision is based on the outcome of the assessment. Romanian managers looked at CSR from the point of view of its *value*, and sought economic benefits (the instrumental aspect of CSR) for their shareholders as stated by interviewee C2:

As a small company, we believe that the legislation should be changed and some social obligations for companies should be imposed in return for some tax benefits. Otherwise everything is left to happen by chance. Why should we consider some social responsibilities and, if we consider them, to what extent should we consider them? We have limited financial resources and therefore we cannot consider, to a great extent, any social involvement. Our company has healthy principles.

At the present time in the Romanian context, CSR concepts seem not to have made a significant contribution to the organisations' bottom line, which explained their lack of enthusiasm for the new concepts as stated by the interviewee C3:

This kind of idealistic company behaviour is good for debate in your university. Here in the real world, we try to survive and we do the best we can. Between the general social interest and the company's interest, I will protect the company's interest. There is no-one who will do differently in the existing conditions.



In examining the decision making process of CSR adoption in the Romanian context three aspects came to light:

CSR adoption was based mostly on the increasing community social demands which became a new *social norm*, and therefore, the decision to adopt CSR has a *normative character*. In this case the adoption of CSR actually belonged to the community and the companies just responded to these demands. In this situation, the decision had an *external character*, expressing communities' values and norms which were accepted by all constituent members (organisations) of the community. These aspects were expressed by interviewee B1:

I believe a company has responsibility for the environment and its employees. In these days the companies have to be more socially responsible and take on board more costs with the work force and pay for all upgrades to comply with the environmental legislation.

Interviewee A2 also stated:

Slowly more companies have to understand that it is not enough to make a profit and pay tax to the government. Companies have to balance their economic activity and their ethical and social responsibilities'.

In this case the researcher noticed a strong understanding of CSR as associated with welfare. The adoption process and decision making in relation to the CSR activities was decided at the top of the organisation by the board of directors or senior managers and the decision had a *collective character*. In the case of the Romanian companies participating in this research, all were relatively small companies with no boards of directors and the adoption process was mostly in the hands of the companies' managers or owners which leads us to the next option.

The third option is that the adoption of CSR is an *authoritative* decision and belongs to the owner, manager or CEO who is aware of the meaning and benefits of CSR.

Interviewee B2 expressed this when he said,

I think that all companies should be or are, socially responsible. We have to comply with the legal requirements which keep the companies within boundaries.

Regardless of how the decision was made there will always be ‘champions’, ‘followers’ and ‘laggards’ in adopting CSR (see Figure 8).

In conclusion, the research revealed that, in Romania, the decision to adopt CSR activities had an *authoritative character* as it was decided by the CEO; GM or the owner of the organisation.

#### **8.6.3.4 Stage 4: Adoption of perceived valuable CSR practices**

Even though the understanding of CSR is not fully understood in the Western sense, some CSR elements were present in Romanian organisations mainly as a response to changing employee and community expectations. The adoption by the Romanian organisations of particular CSR activities, such as OHS, improved working conditions, codes of conduct, and environment issues, as discussed previously, clearly showed that Romanian managers understood some of the benefits of CSR and had adopted them. This adoption *process* was based on the manager’s own sense-making framework of CSR, his own vision of the company and CSR, and was often based on the managers’ altruistic values.

#### **8.6.3.5 Stage 5: Decision**

Beside altruistic reasons, Romanian managers’ decisions in adopting CSR are based mostly on assessing an organisation’s costs and benefits, even so, some CSR actions had an altruistic character as the CSR activity adopted was philanthropy which is oriented to community or employee needs. In this light the position of the interviewee A1 is relevant:

In our actual situation, the employee’s boss is his singular point of advice, support, guidance, and thankfully we are close to our employees in supporting them during their private hardships. We offer them a limited amount of money with no interest in cases when a family member is deceased, as there is no form of social programs and benefits. I am

supporting the image of a privately owned company with a human face.  
Profit is not everything.

#### **8.6.3.6 Stage 6: Implementation of specific CSR practices**

As mentioned previously, Romanian organisations implemented those CSR elements which made sense to them, obviously prioritising legally specified practices and procedures such as OHS, those involving the environment, and codes of conduct as stated by interviewee D3:

I think that CSR should be applied to all companies, small or big, as far as there is a legal requirement for it and an education system for CSR in place.

Interviewee B1 stated:

We have legal obligations regarding employment, remuneration and working conditions and also environmental legislation which we have to comply with.

#### **8.6.3.7 Stage 7: Confirmation (CSR's contribution to the bottom line)**

As the research data shows, the adoption of CSR by Romanian organisations had a pragmatic and selective character. The *selective character* consisted of which CSR activities to adopt, and which not to adopt, and was strongly based on the *confirmation* received from the organisations' outcomes (financial performance). If an organisation's outcomes matched stakeholders' expectations, the CSR elements would be kept and used, justifying the manager's decisions as described by the interviewee B2:

We do not have many options. If we want to survive we have to adapt ourselves to the conditions.

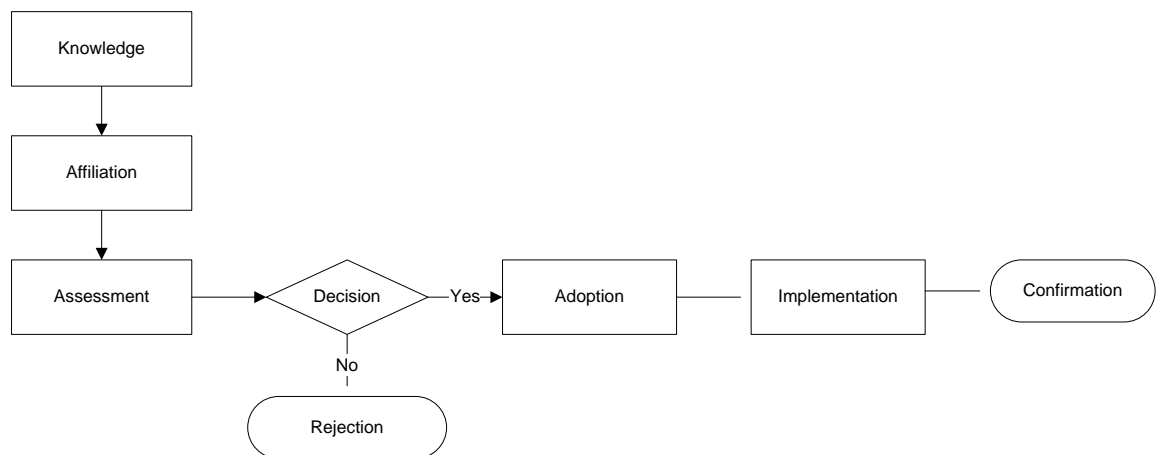
This was their priority at the time; and:

In order to be more competitive we are ISO 9001/2008 certified, environmental ISO 14001 certified and OHSAS 18001 certified.

This again was a survival strategy. Similar views were expressed by interviewee A2:

Creation of employees' loyalty by providing good working conditions, OHS, fair remuneration and different advantages (free transport, subsidies for food, bonuses), flexible working hours in some circumstances, and German language courses for some employees. The company is ISO 9001/2008, Environmental ISO 14001 and OHSAS 18001 certified.

This position strongly illustrates the instrumental character of CSR in Romanian organisations. The following flow chart was created to summarise the adoption process:



**Figure 9 The Process of CSR Adoption**

Another aspect to be discussed is how the benefits of what managers perceived as 'innovative' CSR concepts were communicated. Well-informed and trained organisational leaders communicated their approval or disapproval of new CSR concepts through different channels of communication (Hou, 2007). Internally, an organisation's CSR performance would be communicated to the shareholders in the general meetings, and externally, would be communicated through the media, conferences and personal contacts. As there was a widespread lack of CSR knowledge, the media would be the most powerful communication channel and therefore is separately analysed. In Romania there have been very few CSR conferences and unfortunately none of them have been organised with a specific orientation on the textile industry. The managers from this industry, therefore, were not able to benefit from them as much as they could. Frustration about this issue was expressed in many

ways and forms by most of the managers interviewed such as interviewee A1, who stated it very clearly:

There are no professional conferences in the textile industry and I suppose that other industries are in the same situation as company bottom lines were affected by the recession’.

In the process of CSR adoption the role of the manager as a change agent was very important. A managers’ personal *convinced* opinion about CSR, corroborated with their business network or relationship, bore a considerable weight in spreading CSR knowledge in any given social system—in our case the community of Romanian textile companies. If the social system in which the company operated is a system open to new and innovative ideas (CSR in our case), as the Romanian social system seemed to be, there was a great chance of CSR being adopted and implemented (Hou, 2007). For the new and innovative ideas such as CSR to be institutionalised required urgent economic, social and political stability with strong business ethical standards. In Romania, the CSR adoption process was informal, involving voluntary commitment.

**Table 7 CSR findings overview**

Value	Integrates some CSR elements – instrumental, legal aspect Companies behaving as a ‘good citizen’
Governance	Accountability – CSR normative character, feeble institutionalisation Discernment – Which CSR elements were applied and the CSR values chosen
Relationship	CSR fairness – creates a better stakeholder - business relationship Altruistic – philanthropy, filled the gap in government responsibilities Ethical – managers’ culpability, abuse of power (corruption), trust

#### **8.6.4. Conclusion**

One can say without any doubt that from this data the most common managerial attitude regarding CSR adoption was determined by the instrumental benefits and isomorphic conformity in the business community. In Romanian organisations, the CSR adoption process was characterised by social concerns for their employees as relational and ethical considerations; later on, this process entered into its instrumental phase as the managers' responsibilities lay primarily with shareholders' profit maximisation rather than stakeholders.

Only when the business case for CSR was absolutely clear, was it more likely that CSR would be widely adopted. As manager D1 said: if the organisations' economic effects are clearly adverse and if there is no legal coercion CSR adoption is unlikely.

As mentioned previously, Romanian organisations would implement those CSR elements that made sense to them and had an intuitive, pragmatic and selective character. The research identified seven stages of CSR adoption which were: knowledge, affiliation of the knowledge, assessment, decision, adoption, implementation, and confirmation.

On a positive note the research reveals that Romanian managers accepted CSR values, norms and rules as a business structure which could bring in long term economic benefits.

## **Chapter 9. Conclusion**

### **9.1 CSR Overview**

CSR has known significant development in the 1990s and 2000s, but scholarly literature goes back as far as the 1950s and some CSR elements are even as old as business itself. The question which continues to knead the mind of researchers is: what does it mean to be socially responsible. These questions become even more important for countries with developing economies or economies in transition such as Romania where political, social and environmental issues are critical. Globalisation may have a dramatic impact and CSR meaning and adoption is different from the Western World. There is strong evidence that CSR is spreading fast all over the world due to globalisation, increase of trade and communities' social demands. In these circumstances, CSR has vigorously entered into the new millennium shifting businesses core activities by adding new trends into organisations' management philosophy such as greater responsibility for society and the environment.

The present research: pinpointed different stages of CSR development in the US and the UK where ideas originated; follows CSR understanding in Western European countries; and makes a contribution to the theoretical understanding of CSR and other related concepts in the context of the countries with economy in transition. These background analyses support the understanding of CSR views, enactment and adoption processes in Romania.

The research revealed that there is a scarcity of theoretical CSR knowledge in developing countries or countries with economies in transition. As CSR is an elusive concept with no clear and single definition, it is hard for developing countries to adopt a development program which embeds CSR. Therefore in the last two decades, all international organisations stepped in and developed their own CSR platform in order to stimulate CSR adoption by member states (Matten and Moon, 2008, p.17). CSR adoption means more than nice public relations statements and requires longstanding commitment and a synergy of substantial social, economic, political, institutional and legal changes which are indeed hard to achieve.

The present empirical research tried to fill in the gap existing in CSR knowledge and specifically regarding CSR understanding and adoption in countries with economies in transition such as Romania.

## **9.2 Overview of CSR in Romania**

There is general acceptance that CSR knowledge and adoption is strongly influenced by the specific national environment which could actively support and promote CSR, or alternatively, there could be numerous barriers to CSR adoption. There is evidence that communities with different levels of social capital would influence the level of CSR development, as academic discourse, or through their organisations' practice (Maignan and Ralston 2002; Habisch et al. 2004; Matten et al. 2008, p.27). These essential factors could determine the chance of CSR being adopted or adoption could rest on managers' personal discretion, hindsight and initiative.

The present research explored Romanian managers' sense-making processes around CSR and relevant changes in Romanian organisations in the textile industry to accommodate and implement CSR elements.

Romanian organisations had to face not only international challenges, but simultaneously had to overcome the legacy of communism which included: employment practices, environmental management, legal systems, and corruption. In Romania as in other East European countries, policies and transparency in the CSR area were not at an acceptable level according to Western world standards, especially those of the US, UK and the EU (Matten and Moon, 2008, p.20; Habisch et al., 2004). This was mainly due to a relatively low level of CSR knowledge, the reduced enforcement of existing laws and lack of demand for CSR standards from inexperienced communities with a low sense of what it means to be a civil society (Chapter 4, pp.39–40). Romanian managers' accepted Western CSR standards and proactively looked to get accreditation, but what they did not agree with was the way in which those standards were applied, emphasising discrepancies between MNCs CSR statements and their actions with a detrimental effect on CSR adoption (Chapter8, pp. 91–98).



### **9.3 Review of CSR findings**

The foremost conclusion of the present research is that Romanian managers were likely to be confused as to the meaning of CSR. This was exacerbated in the context of international organisations promoting their own agenda and objectives which were perceived by Romanian managers as having little to do with CSR. The case of Nokia is relevant as they closed their business in Romania leaving 2000 people unemployed and €10m in unpaid tax to the Romanian government.

Environmental responsibility was the best known and most commonly understood aspect of CSR for all Romanian organisations. Environmental concerns were strongly embedded in all levels of the society, and environmental protection was embedded in Romanian legislation and rigorously monitored (Stanciu, 2002; Stoian and Zaharia, 2009)

In the last decade, Romania has made important progress (often under international pressure) in reforming its institutions and creating a new business legal framework, but there are gaps and shortcomings especially in the enforcement side of the legislation (Duca, et al. 2007).

CSR, as understood in Western countries, is relatively less known in Romania and the research identified, from the sample interviewed, that only 13 per cent had some CSR knowledge, 7 per cent were relatively aware, but 80 per cent had no CSR knowledge. The research findings in Romania were in line with the research results from other Eastern European countries, such as Astvany's (2010) research in Hungary. In Romania, managers' understanding of CSR was mostly elicited by analysing the organisation's CSR performance by conducting an inventory of the organisations' CSR actions. The research established, once again, the importance of the managers' personal capability in developing a rational and realistic map of the environment in which their organisations operated, and their ability to make sense of these elements of the environment, in our case, the CSR concepts. These findings aligned the present research with what Ring and Rands (1989, p. 342) established regarding managers' personal characteristics and interpretation of the environment.

## 9.4 The research questions

Romania's democratic development began with the revolutionary movement of 1848, continued until communism was imposed by the Soviet army in 1944, and did not emerge again until after the 1989 anti-communist revolution. Romanian society has had little time to reach the level required to understand the CSR discourse, which emerged and evolved for over six decades in the specialised literature of the US and the UK. Romania's short democratic development has been marked by dramatic changes in the political and economic landscape. Those changes have been accompanied by extensive levels of unemployment and poverty. The government priorities have been other than CSR and managers' concerns were for organisational survival (Korka 2004). In Romania, most companies are SMEs with limited financial power and often an ephemeral existence. In these historical circumstances described above, and in relation to the first research question, it makes sense for Romanian managers to have had different understandings of CSR from their international counterparts (Matten, *et al.*, 2004). The first question is formulated as follows.

### 9.4.1 Research Question 1

**Is there a difference (if any) in the understanding of CSR of the managers of international and local organisations, and if so, why?**

The research findings suggested that there is a gap in Romanian managers' understanding of CSR as 80 per cent of the Romanian managers reported having no CSR knowledge, 13 per cent some knowledge and just 7 per cent said they were relatively knowledgeable. These findings are in line with the findings of other research extensively presented in the literature review chapter.

The gap identified in the CSR understanding of Romanian managers and MNC's managers pinpoints the view that each stakeholder's own characteristics, such as the fact that they operate in a specific economic, social and cultural environment with different objectives, defined their particular or specific CSR views (Matten, *et al.*, 2004). Romanian managers built their own meaning of CSR based on tasks they had previously accomplished and their comprehension of the situation they operated in at the time, making their own sense of it (Weick 1995, p. 15). The historical context of Romania presented above explained these differences in CSR understanding.

The research data suggests that most of the Romanian managers strongly disapproved of the American (Western) model of capitalism, which in their opinion was driven only by profit (interviewee A1 and D1). Furthermore, although in Romania, MNC's had attractive CSR statements, they did not live up to these with their actions. The following typifies what was expressed in the statements of various interviewees:

To copy American capitalism it is a stupid thing to do and therefore by following it just serve their objective to overtake economically the country. (Interviewee A1).

Or:

At some stage the big corporations just ignore everything, the society and even governments. For example, in the US the rich people and the big corporations refuse to pay a fair part of the tax required to recover from the economic crisis and believe that they are stronger and above the society. (Interviewee A3).

The response to Research Question 1 provided evidence in support of the view that CSR research may not be equally applicable across MNCs, and what happens in one country may not happen in another. Therefore there is an urgent need for international CSR studies in order to establish CSR convergence. The intention of the EU is to introduce some policies to 'standardise' CSR activities as will be exemplified in the coming section about the future of the CSR in Romania.

In the field of CSR there are a multitude of theories and views as described in the literature review chapter. The researcher's CSR view is probably closer to Devinney's (2009) view: that CSR is 'good' as an efficient or best instrument in determining the social needs and delivering social solutions, but it is 'bad' as corporations use CSR as a means of power exercised in their own interests, and it is 'ugly' as CSR is profit driven. Visser (2010) also supported this view seeing CSR as *Corporations' Sustainability and Responsibility*. This multitude of views about CSR may be classified using Garriga and Mele's (2004) taxonomy. In the complex Romanian economic, social and political circumstances, it was difficult to identify which view of CSR dominated among Romanian managers; therefore, the following research question attempted to clarify it:

#### **9.4.2 Research Question 2**

##### **What CSR theories do Romanian managers use to explain their CSR action?**

The theories and views concerning CSR were largely unknown to Romanian managers, CSR theories applied in Romanian companies had a different nuance in the current economic, social and political context of Romania (Stoian 2010) compared to the views of CSR held by European (Matten, *et al.*, 2004), UK and US managers analysed by Margolis and Walsh (2003) and Campbell (2007).

Romanian managers constructed their own meaning of CSR according to the conditions existing in their *perceived* environment, confirming Weick's (1995) theory of sense making of past experiences, and implemented only those CSR activities 'perceived' as important for their organisations' business models, such as OHS, environmental activities, and employees' wellbeing. The meaning or sense of CSR 'perceived' by the Romanian managers was not necessarily fully comprehensive compared to the meaning understood in the Western world, but rather, it was the most acceptable meaning in their particular environment. Romanian managers' understanding of CSR had a strong intuitive, pragmatic and *folk* character in investigating and understanding the micro and macro social and economic environment in which they operated, consistent with Weber (1978). The research also revealed a *relational* character of Romanian managers' CSR understanding which was strongly influenced by the managers' relationship with organisations' stakeholders (especially the employee). On the other hand, the research revealed the Romanian managers' ability to analyse the external environment, and as a consequence, they strongly rejected the American model of capitalism, but at the same time most of the research participants recognised the potential benefits of CSR to their organisations.

The researcher associate Romanian managers' actions within a series of CSR theories, generally accepted by academia, such those specified in Garriga and Mele's (2004) taxonomy and those of Aguilera (2005). As managers integrated CSR into their daily routine activities, by improving the employees working conditions and offering some benefits, for example, the researcher identified views consistent with an *instrumental theoretical view* as the company created a competitive advantage by staff retention. It is necessary to mention that the *instrumental* character of Romanian managers

understanding of CSR was not dominant but it cannot be excluded. Most importantly, the research emphasised that managers' concerns about employees' wellbeing and good relationships with suppliers could also be categorised as adherence to the *relational theory* and *integrative theory*. An organisation's struggle with the governmental agencies could be integrated into the area of the *political theory* and especially the *power theory* as all stakeholders had some degree of power over an organisation, although some of them are unaware of it.

Romanian organisations' CSR activities or in-activities were mostly *legally, economically or ethically* justified and had an *externally inconsistent* character dictated by the organisations' economic performance (availability of financial resources); meanwhile, *internal consistency* was given by the concern for their employees' wellbeing.

Romanian managers did not evaluate the various meanings of CSR, or of CSR theories, as they are unknown to them, but instead they evaluated the actions required to achieve their organisation's goals and made a rational business choice of their understanding of CSR. At this point the research obtained more strength by answering Research Question 3.

### **9.5.3 Research Question 3**

#### **How do Romanians enact CSR concepts in their organisational contexts?**

Managers' perceptions of CSR are related to their identity, education, sense of responsibility, ethics, position in the community, shared past experiences and 'credible' (accepted) stories or narratives about CSR (Hemingway, et al., 2004; Ojha, 2005). Basu and Palazzo (2008) suggested that CSR is enacted within normal business processes which 'managers are likely to adopt in coming up with their own view of what constitutes appropriate relationships with their stakeholders and of the world in which they exist'. Romanian managers are not an exception in relation to this statement; they interpreted the CSR activities performed by other organisations (MNC's or local companies) and adopted the best action or actions according to their own meaning of responsibility in relation with their stakeholders.

Romanian managers' understanding of CSR was strongly influenced by their identification with their company's identity and the managers' relationship with stakeholders. The research identified the following critical influences on CSR:

- All companies involved in this research were well established (and were 15–150 years old) and were deeply embedded in their communities.
- The managers interviewed saw themselves, and most importantly their employees saw them, as:
  - a) a guardian of the company
  - b) part of the 'big family' of employees who had emerged from this 'family'
  - c) acting on behalf of the company and, as part of the community, having responsibility for the well-being of the employees and the community
  - d) a role model for the employees and communities.
- Romanian managers, generally made sense of CSR in their organisations while considering they were part of a larger group or a 'community of organisations'. They compared their CSR activities discovering commonality between CSR actions and general economic imperatives.

The research identified a *collectivistic* CSR understanding within managers' CSR sense making based on the importance of the *relationship* between various stakeholders. These findings are consistent with relational theories of CSR. The relationship between the Romanian organisations and society (community) was influenced by the managers' decisions in the community in which the organisation was a part. For Romanian managers, the stakeholder approach can be viewed as a network or a web of interconnected interests which had to be fairly integrated in the managers' fiduciary duties. Lastly, Romanian managers had to morally justify their organisation's activities, and therefore, had to base their stakeholder relationships on the ethical bases of becoming a 'good corporate citizen', fulfilling their social contract. The research data showed a degree of similarity of CSR understanding within Romanian textile companies.

Romanian organisations and their managers are able to differentiate between corporations' bad behaviour and the *usefulness* of CSR activities as they rejected excessive rent extraction, environment degradation and they understood the need to be a *good citizen*. In terms of CSR, all interviewees agreed that the usefulness of CSR varied

depending upon the conditions in which it was applied. All interviewees also agreed that CSR would be adopted sooner or later by all companies, regardless their size, as a normal evolutionary process.

Companies in the textile industry, and elsewhere, that were seeking leadership in providing CSR, were confronted by the financial crisis. They were also confronted with citizens' profound crisis of trust in business itself—especially their cynical distrust of the CSR rhetoric of international corporations. This explained why there was a low regard for CSR by Romanian organisations.

The Western meaning of CSR was not well understood; some CSR elements were present in Romanian organisations mainly as a response to changing employee and community expectations. These contextual factors, to which we can add the managers' lack of CSR education, lack of good examples and general historical and economic circumstances (GFC), has had an impact on the process of CSR adoption.

#### ***9.5.4 Research Question 4***

##### **What is the organisation's process in respect to adoption of CSR?**

CSR in Romanian organisations' was mostly related to compliance with Romanian and EU legislation requirements. Romanian managers integrated some CSR activities into their 'core' business activities but there was not a collective or community *consciousness* of the concept of 'creating shared value'. The interviews with Romanian managers revealed that their sense making of CSR was often individual and lacking in consensus.

By analysing research data and treating CSR as an *innovative* concept for Romanian organisations, the researcher could recognise a similar trajectory of CSR adoption as described by Rogers' Diffusion of Innovations theory (1962). For the Romanian organisations interviewed, the CSR adoption process had seven stages: *knowledge, assimilation of the knowledge, assessment, decision, adoption, implementation and confirmation*. The research data also showed that the adoption of CSR by Romanian organisations had a strong pragmatic and selective character. The *pragmatic* character came from managerial decisions as to which social needs should be taken on board; and the *selective character* consisted of which CSR activities to adopt and which to exclude,

and was strongly based on the *confirmation* received from the organisation's outcomes and their stakeholders.

The researcher also analysed how the benefits of what the managers perceived as 'innovative' CSR concepts were communicated and established that informed and trained organisational leaders communicated their approval or disapproval of new CSR concepts through different internal and external channels of communication.

The Romanian managers' adoption of particular CSR activities, such as OHS, improved working conditions, codes of conduct, environmental actions and other activities, clearly showed a tendency to focus on legal compliance rather than finding economic benefits.

The research also emphasised that in the process of CSR adoption the role of the manager as a change agent was very important. A manager's personal *convincing* opinion of CSR corroborated with their business networks or relationships and exerted a considerable weight in spreading CSR knowledge in any given social system—in our case the community of Romanian textile companies.

### **9.5 Perspectives of CSR in Romania**

In Romania, the government was not actively involved in promoting CSR even though there was legislation in area of the environment, employment and OHS which was aligned with the EU and the international organisations recommendations. Despite this, there are communities' social needs which had to be addressed and business had requirements for improved legislation to facilitate and accommodate their CSR actions. In a country ravaged by the GFC, there was little hope that the government would pay much attention to CSR issues outside of the EU demands, so for the time being, Romanian organisations have to make their own choices to adopt CSR. Private companies are ahead of some government institutions in recognising the value of CSR; meanwhile, the government-owned organisations continue to be burdened by bureaucracy.

Among the consequences of the GFC for Romania was a low level of trust in businesses, particularly foreign MNCs with their pompous CSR rhetoric but failure to transform the rhetoric in actions. The research found that in Romania, companies' did



not constantly commit to CSR which was discharged mostly in form of philanthropic and environmental actions and actions for the welfare of employees. In Romania institutionalisation of CSR had a long way to go. Despite these circumstances, Romanian organisations and their managers were able to discern between corporations' bad behaviour and the *usefulness* of CSR. In terms of CSR usefulness, all interviewees agreed that CSR was useful—with the condition that it was applied correctly and honestly. There was a sense that sooner or later the CSR concepts would be applied by all companies regardless of their size.

As the Romanian social media allocated increasing attention to CSR, people became more knowledgeable and demanded the investigation and reporting of CSR issues. There were more CSR debates in the Romanian mass media than ever before and many international organisations put a lot of effort into promoting CSR through mass media. There were CSR conferences organised in Romania in 2008 and 2009, but unfortunately there have been no more—a consequence of the GFC.

Slowly CSR has become established in Romanian universities. Three years ago there were a handful of CSR articles published, mostly by Romanian students studying overseas. Now Romanian CSR literature has grown with an astonishing speed thanks to the enthusiasm of these young academics. Furthermore, some of the big universities with a solid reputation have started to introduce CSR and sustainability into their curricula. There is no doubt that, with the evolution of Romanian society and the development of companies, this will lead to greater community involvement and the demands for ethical and responsible behaviour will prevail. Ultimately CSR will have a clear future in Romania.

## **9.6 Research Contribution to CSR knowledge**

### ***9.6.1 Theoretical contribution of the research to the CSR body of knowledge***

Despite the growth of the Romanian CSR literature, it lacks the abundance, diversity and clarity of the CSR literature in Western countries. Therefore, the present research maps relatively uncharted territory bringing to light economic, social and political circumstances in which CSR operates in Romania and the CSR sense-making process of Romanian managers.

Previously there has been little research conducted into the general process of CSR adoption as Haberberg (2007, p. 2) stated, 'Less attention has hitherto been paid to what, in practice, influence the adoption and spread of CSR practices within and between organizations'. There has been even less attention given to the CSR adoption process in countries with economies in transition such as Romania. An important contribution of this research is the explanation of the process of how and why CSR is adopted and the connection between different stakeholders in the CSR adoption process.

### ***9.6.2 New and unexpected findings***

The abundant CSR literature presented as positive the influence of MNC's CSR statements and activities in countries with economies in transition (Stoian, 2010). The MNCs' CSR platforms are presented as inspirational factors in the process of the spread and adoption of CSR. For Romania, at the beginning of the transition process, the presence of MNCs was viewed as a beneficial factor. There was an expectation that all the problems of the Romanian economy would be solved overnight and these MNCs would bring in capital, technology, jobs, new and efficient management and exemplary CSR practices. Slowly this image disappeared as the less than impressive face of capitalism presented itself, and especially now as the consequences of the GFC are acute.

The research reveals that public opinion at the present time was strongly against big corporations which were viewed as the ones who generated the economic crisis with their irresponsible behaviour as stated by Crotty (2009, p. 2), 'its deep cause on the financial side is to be found in the flawed institutions and practices of the current financial regime'. The majority of the research participants (80 per cent) mentioned that the MNCs are not an example to follow. As an extreme view, interviewee C2 regarded MNCs as having a destructive effect on the Romanian economy. He gave examples of foreign companies which, through a corrupt privatisation process and in the absence of an adequate legal system, bought once competitive Romanian companies, bankrupted them or stripped them of all their equipment, and relocated them. There are now no companies and no jobs in their respective communities. In these circumstances there is no wonder that there is such a strong resentment against the MNCs and a subsequent low impact of CSR concepts.

Generally speaking, the global financial crisis was attributed to the unlimited greed, fraud and questionable business practice of corporate executives (Crotty, 2009, p. 2). In these conditions, many Romanian managers questioned the values of the principles of capitalism related to corporations' responsibilities and their morality. In the light of the previous discussions, the findings revealed that most of the Romanian managers expressed their disapproval of the American model of capitalism, which in their opinion, was driven only by profit. This view was strongly expressed in the statement of interviewee A1:

The [Romanian] media presents capitalism as a supreme objective, which is not necessarily good. The big corporations are driven by the thirst for money which actually generated the current economic crisis. To copy American capitalism it is a stupid thing to do and therefore by following it just serves their objective to take over the country economically.

This shift in the perception of MNCs, and the sentiment against American capitalism held by the Romanian public, has had a detrimental effect on CSR adoption as their pompous CSR rhetoric has had little to none effect on their actions.

### **9.7 Strengths and Limitations**

The main strength of the present research consists in data being collected from first hand sources. The researcher struggled to keep the original meaning unaltered by translation, even though at times these translations may look rough. Some of the answers received made more sense in the Romanian historical context which is deeply known to the researcher as explained in Chapters 5 and 6 of the thesis.

In analysing Romanian organisations' CSR performance, the researcher was confronted with a number of limitations. One of the research limitations was the relatively low number of participants. The researcher overcame this limitation by having in-depth interviews and discussions about CSR with people holding different managerial positions in their representative companies in the textile industry. The second major limitation of the research was the time constraint as the research was carried out in a short time frame determined by the researcher's work-related responsibilities and the costs involved. The present research does not claim that these findings are generally

valid, or even absolute, recognising the temporal and spatial validity of the findings as a consequence of a relatively small number of participants.

The researcher was exasperated by the complexity of the ‘real-world’ situation and difficulties of processing a huge quantity of data (ethnographic and qualitative) using NVIVO.

## **9.8 Final summary**

For the coming period of time, the Romanian economy, and implicitly the textile companies, will be deeply affected by the volatility of the financial market in the Euro zone. All organisations should have a comprehensive risk assessment process in order to establish their financial standing as a response to the decrease in demand for their products on the European markets. The textile industry was, and continues to be, affected by Romania’s sovereign debt which will make it even more vulnerable to competition from Asian countries, and government support is virtually nil. A major requirement, at all government levels, is to improve transparency and stakeholders’ participation in the decision making process as an opportunity for sustainable growth.

The adoption of the Euro, scheduled for 2014, will be a challenge and an opportunity for Romania. If the process is not well prepared for, it may create similar problems to those of Greece—hopefully the lesson has been learned. Opportunities may lie in the European market being fully opened to Romanian organisations and simultaneously increasing competition. With these conditions on the horizon, the European Commission’s 2020 CSR strategies (see EC, IP/11/1238) hope to create more responsible business, and will also become the new CSR standards for Romanian organisations. The new EU 2020 CSR strategies will help Romanian organisations to understand how they can benefit from CSR by taking greater steps in fulfilling the needs of society as whole and creating sustainable organisations by sharing values among all stakeholders. The new EU company law coming into place in 2014 will incorporate some CSR elements which will be an important instrument encouraging CSR adoption in Romania.

## Appendices

### Appendix 1

#### Registrations of Commercial Companies with Foreign Participation in Subscribed Social Capital by Investors Residence Country\* in January 2009

	Registration of commercial companies		Value of total subscribed social capital					
			National Currency		Currency			
	Number	Structure %	National Currency	Structure %	\$000s	Structure %	€000s	Structure %
<b>Denmark</b>	5	1.8	3549.2	27.60	1171364.0	27.23	909487.8	27.23
<b>Luxembourg</b>	5	0.8	2852.5	22.18	994821.0	23.05	772413.7	23.05
<b>Cyprus</b>	31	5.0	2725.9	21.20	866765.0	20.08	672986.5	20.08
<b>Switzerland</b>	8	1.3	1002.1	7.79	359261.0	8.32	278942.8	8.32
<b>France</b>	22	3.5	699.9	5.44	249166.0	5.77	193661.2	5.77
<b>China</b>	21	3.4	368.7	2.87	125988.0	2.92	97821.5	2.92
<b>Germany</b>	51	8.2	324.9	2.53	107808.0	2.50	83705.9	2.50
<b>Austria</b>	24	4.8	317.6	2.47	106002.0	2.46	82303.6	2.46
<b>Greece</b>	25	4.0	253.0	1.97	86184.0	2.00	66916.3	2.00
<b>Italy</b>	141	22.6	225.3	1.75	74273.0	1.72	57668.1	1.72
<b>Spain</b>	29	4.6	177.1	1.38	55228.0	1.28	42880.9	1.28

	Registration of commercial companies		Value of total subscribed social capital					
	Number	Structure %	National Currency		Currency			
			National Currency	Structure %	\$000s	Structure %	€000s	Structure %
<b>Hungary</b>	69	11.1	125.7	0.98	39260.0	0.91	30482.8	0.91
<b>B Virgin Isl.</b>	2	0.3	58.4	0.46	19784.0	0.46	15361	0.46
<b>Nederland</b>	13	2.1	39.1	0.39	14495.0	0.34	11254.4	0.34
<b>Syria</b>	4	0.6	24.5	0.19	7601.0	0.18	5901.7	0.18
<b>Turkey</b>	33	5.3	22.2	0.17	7346.0	0.17	5703.7	0.17
<b>Pakistan</b>	1	0.2	20.0	0.16	6223.0	0.14	4831.8	0.14
<b>Moldova</b>	25	4.0	13.8	0.11	4539.0	0.11	3524.2	0.11
<b>Portugal</b>	3	1.7	9.8	0.08	3912.0	0.09	3037.4	0.09
<b>UK</b>	16	2.6	7.6	0.06	2567.0	0.06	1993.1	0.06
<b>USA</b>	27	4.3	7.1	0.05	2367.0	0.05	1837.8	0.05
<b>Sweden</b>	5	0.8	7.7	0.06	2347.0	0.05	1822.3	0.05
<b>Israel</b>	22	3.5	4.2	0.03	1350.0	0.03	1048.2	0.03
<b>Lebanon</b>	5	0.8	3.9	0.03	1312.0	0.03	1018.7	0.03
<b>Bulgaria</b>	9	1.4	3.2	0.02	1046.0	0.02	812.2	0.02
<b>Monaco</b>	3	0.5	2.3	0.02	681.0	0.02	528.8	0.02
<b>Belgium</b>	5	0.8	1.6	0.01	558.0	0.01	433.3	0.01
<b>Total</b>	604	100.0	12847.3	100.00	4312248.0	100.00	3348379.7	100.00

\*Includes a selection of countries according to the size of total subscribed social capital in foreign currency equivalent.  
Source: National Office of Trade Register.

## Appendix 2

### Registrations of Commercial Companies with Foreign Participation in Subscribed Social Capital by Investors Residence Country\* in January 2009

	Registration of commercial companies		Value of total subscribed social capital expressed in:					
			National Currency			Currency		
	Number	Structure %	National Currency	Structure %	US\$000s	Structure %	€000s	Structure %
<b>1991</b>	5499	3.4	258165.5	0.4	1058261.0	3.6	817975.6	3.7
<b>1992</b>	11765	7.3	65153.0	0.1	573271.2	1.9	443106.2	2.0
<b>1993</b>	10583	6.6	92793.2	0.1	417844.8	1.4	322970.3	1.5
<b>1994</b>	11053	6.9	230535.9	0.3	881673.3	3.0	681483.5	3.1
<b>1995</b>	3400	2.1	67893.9	0.1	237717	0.8	183741.8	0.8
<b>1996</b>	3630	2.3	229256.3	0.3	573594.2	1.9	443355.8	2.0
<b>1997</b>	5251	3.3	232229.8	0.4	359912.8	1.2	278192.2	1.3
<b>1998</b>	8801	5.5	728612.4	1.1	755475.3	2.6	583939.6	2.6
<b>1999</b>	7383	4.6	1214843.7	1.9	944365.3	3.2	729940.9	3.3
<b>2000</b>	8567	5.3	1870247.9	2.9	839143.8	2.8	648610.6	2.9
<b>2001</b>	7175	4.5	4820820.8	7.4	1540811	5.2	1190959.4	5.4
<b>2002</b>	7518	4.7	3541822.9	5.4	1078746	3.7	833809.6	3.7

	Registration of commercial companies		Value of total subscribed social capital expressed in:					
			National Currency			Currency		
	Number	Structure %	National Currency	Structure %	US\$000s	Structure %	€000s	Structure %
<b>2003</b>	6609	4.1	4441402.8	6.8	1288885.0	4.3	996235.1	4.5
<b>2004</b>	10167	6.3	9040577.5	13.8	3032218.4	10.2	2343732.9	10.6
<b>2005</b>	11719	7.3	7173157.1	11.0	3149681.6	10.6	2434525.4	11.0
<b>2006</b>	12823	8.0	6646972.2	10.2	3127314.6	10.6	2417237.0	10.9
<b>2007</b>	15720	9.8	7737574.2	11.8	3314201.6	11.2	2389392.2	10.8
<b>2008</b>	12264	7.6	15034925.8	23.0	5924852.8	20.0	3984432.8	18.0
<b>2009</b>	624	0.4	1984383.8	3.0	536829.2	1.8	416812.8	1.9
	<b>160551</b>	<b>100.0</b>	<b>65411369</b>	<b>100.0</b>	<b>29634798.8</b>	<b>100.0</b>	<b>22140453.6</b>	<b>100.0</b>

*\*Includes a selection of countries according to the size of total subscribed social capital in foreign currency equivalent.*

*Source: National Office of Trade Register.*



## Appendix3

### Foreign Direct Investment (FDI) based on country of origin, 2008

<b>FDI</b>	<b>€m</b>	<b>% of Total</b>
<b>TOTAL</b>	<b>34512</b>	<b>100.0</b>
<b>Austria</b>	<b>7942</b>	<b>23.0</b>
<b>Netherlands</b>	<b>5887</b>	<b>17.1</b>
<b>Germany</b>	<b>3473</b>	<b>10.1</b>
<b>France</b>	<b>2766</b>	<b>8.0</b>
<b>Greece</b>	<b>2680</b>	<b>7.8</b>
<b>Switzerland</b>	<b>2372</b>	<b>6.9</b>
<b>Italy</b>	<b>2322</b>	<b>6.7</b>
<b>Cyprus</b>	<b>1674</b>	<b>4.8</b>
<b>Hungary</b>	<b>663</b>	<b>1.9</b>
<b>USA</b>	<b>628</b>	<b>1.8</b>
<b>Others</b>	<b>4105</b>	<b>11.9</b>

Sources: National Bank of Romania & National Institute of Statistics,

## Appendix 4

### Ongoing LIFE NAT projects in Romania

	Project Title	Project Number	Website	Total Budget (€)	EC Contribution (€)	Start Date	Expected end date
1	Conservation of the natural wet habitat of Satchinez	LIFE02 NAT/RO/008573	<a href="http://www.lifesatchi.nez.ro">http://www.lifesatchi nez.ro</a>	243.500	146.100	1/10/2002	1/10/2005
2	In situ conservation of large carnivore in Vrancea	LIFE02 NAT/RO/008576	<a href="http://www.carnivoremari.ro">www.carnivoremari.r o</a>	468.588	351.441	1/09/2002	30/11/2005
3	Participatory management of Macin mountains	LIFE03 NAT/RO/000026	<a href="http://www.muntiima.cin.ro/">http://www.muntiima cin.ro/</a>	600.000	300.000	1/07/2003	30/06/2006
4	Restoration forest habitats from Pietrosul Rodnei	LIFE03 NAT/RO/000027	<a href="http://www.icassv.ro/life_pietrosu">www.icassv.ro/life_p ietrosu</a>	213.470	106.735	1/06/2003	1/06/2007
5	Natura 2000 sites in the Piatra Craiului National	LIFE03 NAT/RO/000032		582.050	291.025	1/07/2003	1/07/2007
6	Improving wintering conditions for Branta	LIFE04 NAT/RO/000220	<a href="http://www.savebranta.ro">www.savebranta.ro</a>	657.028	492.771	1/09/2004	29/02/2008
7	The forests with Pinus nigra banatica - part of	LIFE04 NAT/RO/000225	<a href="http://www.pinusnigra.abanatica.ro/">http://www.pinusnigr abanatica.ro/</a>	814.770	611.078	1/07/2004	1/07/2007
8	Ecological restoration of the Lower Prut Floodplain	LIFE05 NAT/RO/000155		824.710	412.355	1/11/2005	30/10/2009
9	Saving Vipera Ursinii	LIFE05 NAT/RO/000158	<a href="http://www.crim.ro">www.crim.ro</a>	517.723	388.292	10/01/2005	9/01/2009
10	Racociensis in Conservative management of alpine habitats as a	LIFE05 NAT/RO/000165		512.150	256.075	1/10/2005	31/12/2008

	<b>Project Title</b>	<b>Project Number</b>	<b>Website</b>	<b>Total Budget (€)</b>	<b>EC Contribution (€)</b>	<b>Start Date</b>	<b>Expected end date</b>
11	Saving Pelecanus crispus in the Danube Delta	LIFE05 NAT/RO/000169	<a href="http://www.ddbra.ro">www.ddbra.ro</a>	656.928	492.696	1/11/2005	30/09/2009
12	Enhancing the protection system of large carnivores	LIFE05 NAT/RO/000170	<a href="http://www.carnivoremari.ro">www.carnivoremari.r o</a>	577.989	346.793	1/10/2005	1/10/2009
13	Priority forest, sub-alpine and alpine habitats in	LIFE05 NAT/RO/000176	<a href="http://www.unitbv.ro/silvic">www.unitbv.ro/silvic</a>	1.246.719	934.008	1/01/2005	30/01/2009
14	Conservation, restoration and durable management in	LIFE06 NAT/RO/000172		978.419	489.209	1/09/2006	30/10/2010
15	Conservation and integrated management of	LIFE06 NAT/RO/000177		567.953	283.977	1/09/2006	31/08/2010
16	Conservation program for Bat's Underground Habitats	LIFE00 NAT/RO/007187		339.393	169.697	1/08/2006	31/01/2005

Sources: <http://ec.europa.eu/life/> European Commission, DG Environment – LIFE Unit, Page 7

## Appendix 5

### Research findings – Translation from Romanian hand-written records of the interview

\*The term CSR was used in full in the Romanian translation and the abbreviation was used only in hand-written transcripts

CSR Issues / categories / Codes	Ethnography	Comments
<p>CSR knowledge</p> <p>Knowledge = association with facts or principles as a form of study; fluency or familiarity with a particular subject or branch of learning.</p>	<p><b>Q. Have you heard anything about Corporate Social Responsibility (CSR)? What did you think about the CSR concept?</b></p> <p><b>A1.</b> No, I have not heard anything about CSR. The level of CSR understanding is determined by the level of the managers' education and the legal system in place. The media presents capitalism as a supreme objective, which is not necessary good. The big corporations are driven by the thirst for money which actually generated an economic crisis. In Romania the concept of ownership is not ripe yet and a lot of owners do not know what they are doing, which creates confusion in an organisation. They, therefore, follow the example of Americans and just serve their objective to take over the country economically.</p> <p><b>A2.</b> Yes, I heard about CSR from multinational companies, and also from the Romanian Textile Producers Federations, about new strategies in management which include CSR. I read that some companies are implementing ISO 26000 about CSR. Some of the CSR elements such as sustainability, for example, are criteria for accessing European funds for development.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Soon Romanian companies will have to adopt a new business model which will include CSR as a long term strategy.</p> </div>	<p>Low level of CSR knowledge.</p> <p>Appears more knowledgeable.</p> <p>Interviewer observations.</p>

	<p><b>A3.</b> Yes, it is a good concept which will bring a company's interest closer to the dreams of a segment of the society.</p> <p><b>A4.</b> I have not heard anything about the CSR concept as such but I know about some companies' responsibility for employees and the environment.</p> <p><b>B1.</b> No, the term is unknown to me. Even in my conversation with the minister's representatives for the Textile Industry the term was never mentioned. Probably we name it differently.</p> <p><b>B2.</b> Yes, I have heard about CSR. Some international companies make a big fuss out of it. Here we do our job with less fuss and we have good quality products. We look after our people and we implement all standards required.</p> <p><b>B3.</b> Yes, but very vaguely. We have to comply with a lot of standards which are critical for our activity.</p> <p><b>B4.</b> No, I cannot recall anything about this concept. Could be something about OHSAS 18001/2006 certification?</p> <p><b>C1.</b> No, I have not heard anything about CSR.</p> <p><b>C2.</b> It is a vague concept. Maybe I know it under other name or maybe in the Romanian language we name it differently.</p> <p><b>C3.</b> It is the responsibilities of the company towards government and employees.</p> <p><b>D1.</b> Yes, but I do not know much about this concept. As a company you have the duty to pay the correct tax to the government.</p> <p><b>D2.</b> For a company to be successful it is necessary to apply Social Responsibility. In this way the company builds its respect in society, better understands the needs of consumers and better understands what the demands of the national market are. The big companies from capitalist countries understood the necessity for social responsibility by listening to their shareholders according to the evolution of the 21<sup>st</sup> century. The first time I heard about CSR was from the internet and also from business media.</p> <p><b>D3.</b> I heard about CSR from a colleague of mine who read an article in the newspaper about CSR. I believe that, from what I can see in Germany, CSR</p>	<p>Evidence of limited CSR knowledge.</p> <p>No CSR knowledge.</p> <p>No CSR knowledge.</p> <p>No CSR knowledge.</p> <p>No CSR knowledge.</p> <p>No CSR knowledge.</p> <p>No CSR knowledge.</p> <p>No CSR knowledge.</p> <p>No CSR knowledge.</p> <p>No CSR knowledge.</p> <p>Evidence of limited CSR knowledge.</p> <p>Evidence of limited CSR knowledge.</p> <p>Evidence of limited CSR knowledge.</p>
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	<p>could generally help the economy and any specific company to get over critical situations, because they are prepared for them. My understanding comes from discussions with the workmates. I have to recognise that my CSR knowledge is limited.</p>	<p>knowledge. We can see that there is one person in the company who is knowledgeable, two to three have a limited level of CSR knowledge and the rest have no knowledge at all.</p>
<p>CSR meaning  Meaning = what could be, or actually is, significant or important as expressed or indicated by the interviewee.</p>	<p><b>Q. When you think about Corporate Social Responsibility what comes to your mind?</b>  <b>A1.</b> It is the responsibility of the company for their employees—in fulfilling their needs.  <b>A2.</b> Slowly more companies have to understand that it is not enough to make a profit and pay tax to the government. Companies have to balance their economic activity and their ethical and social responsibilities.  <b>A3.</b> What comes to my mind is the way in which a company makes a profit in the specific circumstances of the company’s residential area. This will determine the company’s reputation and the success of the business.  <b>A4.</b> What comes to my mind is a company’s responsibility for their employees.</p> <p><b>B1.</b> I believe a company has responsibility for the environment and its employees. In these days the companies have to be more socially responsible and take on board more costs with the work force and pay for all upgrades to comply with the environmental legislation.  <b>B2.</b> All companies have to understand that in these days it is not everything about making a profit we also have to be a socially responsible company. I believe it is a company’s responsibility for the environment and its employees.  <b>B3.</b> When I am thinking about CSR the employees working conditions come to my mind. In this respect we have to comply with the law. It is not optional it is mandatory, and we do respect this obligation.</p>	<p>Responsibilities to their employees.  Recognise ethical and social responsibilities.  The way in which the companies makes their profit.  Responsibilities to their employees.  Company’s responsibility for environment and employees  Company’s responsibility for environment and employees.</p>

	<p><b>B4.</b> Employees' working conditions.</p> <p><b>C1.</b> It is the responsibilities of the company to pay tax which will help the government to finance other economic sectors.</p> <p><b>C2.</b> What comes to my mind are elements of the external and internal environment in which organisations are performing their activities.</p> <p><b>C3.</b> It is the responsibilities of the company toward government and employees.</p> <p><b>D1.</b> Companies' obligations to respect proactively the European legislation by providing quality assurance for Romanian products.</p> <p><b>D2.</b> Evolution, Quality, Competitive prices and Competition on international markets.</p> <p><b>D3.</b> Integrity, sincerity and caring for the person near you, because this person could help you to survive when the situation becomes difficult.</p>	<p>The employees' working conditions.</p> <p>The employees' working conditions.</p> <p>Company's responsibility to pay tax.</p> <p>Company's responsibility towards the government and employees.</p> <p>Meaning: employees, working conditions, environment, paying tax.</p> <p>These shows limited understanding of CSR.</p>
CSR and media	<p><b>Q. How was your understanding of CSR influenced by any of the following: TV, newspapers, CSR conferences, government legislation or activist groups? Why and in which way?</b></p> <p><b>A1.</b> Unfortunately the media is totally out of touch with the textile industry and not only that. Reality is presented from the perspective of the reporter and his own perception of reality which does not match the real issues.</p> <p><b>A2.</b> All of them to some degree.</p> <p><b>A3.</b> My CSR understanding was very little influenced by the media. I cannot recall that the media used this concept under this name.</p> <p><b>A4.</b> When Romanian media talk about a company's social responsibility mostly they bring to their readers' attention environmental issues and the employee-</p>	<p>Media is totally out of touch.</p> <p>Media brings only environmental and the employee- management</p>

	<p>management relationship. I do not know exactly what should be covered under the CSR concept, but that is my understanding from what I am reading and from TV.</p> <p><b>B1.</b> Yes, they contribute to the spread of knowledge but it depends on what knowledge. Most of the media just cover scandals and very few specialized newspapers are presenting good and informed analysis.</p> <p><b>B2.</b> This concept is confusing. The TV gives examples of companies dedicated to CSR and talks about the environment issues and OHS. As far as I know there is not any legal definition and therefore I do not know what I should say about it.</p> <p><b>B3.</b> Today the media presents all kind of extreme situations and we cannot take it seriously. Some of the TV or radio shows are really good and hosted by people with good reputations but these people are very few. When it comes to politicians most of them are ‘gangsters’ with little or no credibility. Also the new type of Romanian business man mostly has no conscience, and does not care very much about anything else but his personal gain (political or financial). So why should someone take them seriously? There is a new trend now in Romania to employ Romanian expatriates with skills and knowledge to manage Romanian organisations which I believe is very good.</p> <p><b>B4.</b> There is a radio show which conducts different surveys on how people understand some new words in the Romanian language or new concepts and explains them. We know something but any way we do not apply it. Oh, why? If it is not clear for the experts, how, why and what we can apply here in the factory?</p> <p><b>C1.</b> I do not believe in the media. They cover only non-important issues in order not to get into trouble. If they approach any real economic issues, they may get into conflict with the political class and that is not good for them. So what they are saying is not very credible.</p>	<p>relationship issues to public attention.</p> <p>Very few specialised newspapers.</p> <p>CSR = environment + OHS..</p> <p>CSR as an instrument to serve personal gain (financial or political). CSR is damaged by these activities.</p> <p>The concept is confusing and there is no clear direction of what must be done and why.</p> <p>No credibility of the media.</p>
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	<p>I cannot really understand what they are talking about and what I should do about it.</p> <p><b>C2.</b> My understanding of CSR came from TV where it is presented as a novelty and as publicity by some firms. But as you know the media presents only extreme situations which do not mirror reality.</p> <p><b>C3.</b> My understanding of CSR came from TV where it was explained in a way that is easy to understand for everybody, and it especially showed different situations where companies have concerns about their staff.</p> <hr/> <p><b>D1.</b> In these days you cannot take the media into consideration. Only very few times do they give examples of good Romanian companies, and I do not know how much I can trust them. They just talk about their environmental performance and occasionally about other activities.</p> <p>What other activities?</p> <p>You know them, helping the old and retirees, schools and these kinds of stuff. We do not have much money to be involved in any long term activities of this kind, but sometimes we help.</p> <p><b>D2.</b> Yes, it was determined by the media and different companies which apply CSR. Today we are living in a consumer society and the consumer dictates what is needed and how much.</p> <p><b>D3.</b> My understanding comes from discussions with workmates. I have to recognise that my CSR knowledge is limited.</p>	<p>CSR as an extreme situation and therefore not much credibility.</p> <p>CSR meaning is not clear in the media which has lost credibility. Interviewer probe.</p>
<p>MNOs and CSR commitment</p>	<p><b>Q. How strongly committed do you think the multinational corporations really are to CSR? Why do you think this?</b></p> <p><b>A1.</b> No, they are not committed to any social responsibility; the only one thing which they are committed is their profit. The bigger the profit, the better it is. America makes a fool out of the rest of the world and especially Europe which is the center of civilization. To copy American capitalism is a stupid thing to</p>	<p>MNOs are not committed to any social responsibility.</p>

	<p>do. Now in the whole of Europe there are about 12 million unemployed, a number which was never reached since WW2.</p> <p><b>A2.</b> I believe that the multinationals present in Romania now are not very committed to CSR. The economic crisis and the limited financial power of the Romanian companies are factors which determine they focus on internal aspects of CSR, and specifically I mean that the company focuses on employees, implementing standards for the quality of their products and technology. These factors are also applied to the suppliers, OHS, the environment, implementing a system for customers' information, and last of all CSR.</p> <p><b>A3.</b> At some stage, the big corporations just ignore everything—society and even governments. For example, in the US, the rich people and big corporations refuse to pay a fair part of the tax required to recover from the economic crisis, and they believe that they are stronger than society.</p> <p><b>A4.</b> I have no knowledge of what other companies do as there is not much communication inside our industry, but I believe that the multinational companies are more knowledgeable about this concept and know how to manipulate it.</p> <p>The interviewees are focusing mostly on American corporations.</p> <p><b>B1.</b> I am not sure if they are really socially committed. The American business model collapsed and has no more credibility. The European model is not much better so what model should we look at. The size of the profit is everything.</p> <p><b>B2.</b> I believe that the multinationals present in Romania now are portraying a very good CSR platform, but in reality it is applied with a Romanian colour.</p> <p>What do I mean by Romanian colour?</p> <p>At the end of the day their customers are, in most of the cases, Romanian citizens and, as they are not aware of what they should get for their money, they are manipulated. The multinationals will be involved socially to the point that is</p>	<p>Some internal commitments to the social responsibility.</p> <p>Corporations ignore society.</p> <p>CSR is manipulated by the MNOs.</p> <p>Interviewer observations</p> <p>The interviewee is clearly situated with Milton Friedman's position about CSR.</p> <p>CSR with Romanian colour, which is a similar opinion to that of Maigang and Rolston.</p> <p>Interviewer probe</p>
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	<p>convenient for them. You must be a fool to think in any other way.</p> <p><b>B3.</b> I believe that in general the multinational corporations are not very much committed to CSR, and we can look at BP and the disaster they created.</p> <p><b>B4.</b> I do not believe that the multinationals present in Romania now are very committed to CSR. They bought many Romanian companies and after that they closed them down. They just eliminated the competition. This is the situation with the local beer factory which was famous and now is a ruin. The foreign owner dismantled it and shifted it somewhere else. Now we buy foreign beer, at three times the price of the local beer. Our company was exposed to the same situation but, because the director stands strong, we saved the factory and we have a job today. Any way the company has a long history of over 100 years and we do what we can to keep it Romanian. The company has 100% Romanian capital.</p> <p><b>C1.</b> I do not care very much as long as we can work together and make a profit. It is OK because I create jobs and I develop the wellbeing of my employees.</p> <p><b>C2.</b> I was trained by Du Pont for one month in Luxemburg and I had the opportunity to see their management system in practice. We cannot compare our company to them. Their activity is performed in different conditions and in a different legislative system. CSR involvement depends very much on their financial power, but generally speaking I do not think the big corporations are very much involved in CSR. What I have seen is mostly commune sense and if you call this CSR, then they are involved, if not, I cannot say anything more about it.</p> <p><b>C3.</b> I do not think the big corporations are very much involved in CSR as their primary objective is profit.</p> <p><b>D1.</b> No, they just want to eliminate you from the market.</p> <p><b>D2.</b> Unfortunately not many companies understand and apply CSR. It is hard to change all these companies' CSR understanding in the same time. We have to invest in this concept, understand correctly and understand the benefits offered by CSR. CSR must be promoted by seminars, articles and formal education or</p>	<p>No CSR commitment, just manipulations.</p> <p>MNO destructive effect over the local economy.</p> <p>Interviewees express their strong opinion that the NMOs are not CSR committed.</p> <p>CSR needs a long time for education at all levels.</p>
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	<p>education at corporation level. The changes are difficult and uncertain for any company regardless of the size of the company, and education in the area of CSR must be understood at national and international level if we want to gain a profit out of it.</p> <p><b>D3.</b> From what I read and see on TV, CSR is at kindergarten level in our country. Very few people, even from big corporations, think about the common good and its social implications when they take a business decision. Unfortunately profit takes first place and CSR takes second.</p> <div style="border: 1px solid black; padding: 2px;"> <p>All interviewees were focused mostly on the US as the economic crisis began there and they dragged everybody else with them.</p> </div>	<p>Incipient stage of CSR.</p> <p>Interviewer observations.</p>
<p>Following MNO's CSR model</p>	<p><b>Q. Are they, or could they be, an inspirational factor for Romanian firms? Why and how?</b></p> <p><b>A1.</b> No. The image of capitalism is totally distorted and it is an illusion. It is not social responsibility; it is just giving to the beggars. If the company does not reach their level of profit, they move their activities to countries with cheap labour, disregarding the needs for jobs of the locals.</p> <p><b>A2.</b> Yes, through the power of being an example.</p> <p><b>A3.</b> Yes, if they correctly promote CSR, if not, the concept loses its meaning altogether.</p> <p><b>A4.</b> Yes, for example in the way they portray their respect for their employees and the environment.</p> <p><b>B1.</b> Very few can be inspirational and obviously not the big ones which are too powerful and believe that they are above everything and everybody.</p> <p><b>B2.</b> Some of them, yes. But what we can see now on the international stage is not inspirational at all.</p> <p><b>B3.</b> In the current international circumstances definitely not.</p> <p><b>B4.</b> Yes, as time passes by, the CSR concept will become better understood and eventually will be implemented. If the multinational companies can be an</p>	<p>No, the big corporations are not interested in social good, what counts is their profit. Milton Friedman position. A different opinion. Yes, if it is applied correctly</p> <p>Respect for employee and environment.</p> <p>Very few. Most of them become arrogant. Not inspirational</p> <p>Not now.</p>

	<p>inspirations for us, I will say yes, but not in all aspects. As I said previously, maybe some of them are honest and have goodwill, but how can we explain what happened with the Romanian textile industry which had a very good reputation?</p> <p><b>C1.</b> Yes. We should learn how to improve our efficiency and generally how to conduct our businesses. As we work with DuPont we learn a lot from them and their instructions manual is a good model for organising our business model.</p> <p><b>C2.</b> To some extent, yes. We can copy their management techniques, technology and efficiency but from a social point of view I have serious questions. Du Pont is present here because of cheap labour and tax facilities. What will happen and how committed to the community will they be if these conditions change?</p> <p><b>C3.</b> No. The big corporations are responsible for the actual economic crisis and show only cheating, lying, misinformation, tax evasion, bribery, and extraordinary competition towards maximisation of profit. Managers and directors are gratified with astronomical salaries which show no respect for employees and the society at all.</p> <p><b>D1.</b> No, they just want to eliminate you from the market.</p> <p><b>D2.</b> No. From our experiences, and from the experience of other companies in the textile industries which we have known for many years, the foreign companies are not necessarily an example for anybody. For example, the company which bought APACA destroyed the company. Now there are about 400 employees left from about 3,000. The machinery disappeared. We are in court with an Italian company which refuses to pay for the goods delivered for over 2 years. The money blocked there for so long a time could be very useful to the company now when we are in a critical situation.</p> <p><b>D3.</b> As I can see in Germany, CSR is much more advanced. I assume that the understanding of CSR is an educational issue, a cultural matter and an issue of</p>	<p>Yes, they can be, but not in all aspects.</p> <p>Yes, from business management point of view.</p> <p>To some extent</p> <p>No, corporations show misleading and deceiving behaviour.</p> <p>No, extend market share.</p> <p>No, corporations show misleading, deceiving and even fraudulent behaviour.</p> <p>Shows importance of CSR education.</p>
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	<p>respect for the common good. Unfortunately in our country personal gain is much more important than the common good.</p>	
<p>Applying CSR</p>	<p><b>Q. In the specific case of your firm, what event or circumstances started, or could start, CSR considerations? Why these?</b></p> <p><b>A1.</b> I worked in this company for many years and we all suffered the consequences of the downsizing following the collapse of communism. I have seen a lot of suffering and when I had the chance, I stepped in and I worked hard to save the factory and the jobs. I feel responsible for the employees whom I have known for many, many years.</p> <p><b>A2.</b> Our company is a SME with limited financial power and therefore focuses on:  Sustainability through product safety, customer satisfaction, and using eco-friendly raw materials.  Creation of a stable customer base by involving the local furniture manufacturers  Long term relationships with suppliers  Creation of employees' loyalty by providing good working conditions, OHS, fair remuneration and different advantages (free transport, subsidies for food, bonuses), flexible working hours in some circumstances, and German language courses for some employees.  The company is ISO 9001/2008 certified, environmental ISO 14001 certified and OHSAS 18001 certified.</p> <p><b>A3.</b> We gave away money to our employees even when we have been in a bad financial situation as consequences of the restructuring, and this was just to keep up our reputation and to help the poor.</p> <p><b>A4.</b> I cannot be specific as I am new in the organisation.</p> <p><b>B1.</b> We have legal obligations regarding the employment, remuneration and</p>	<p>Applying some CSR elements. Wellbeing, philanthropy</p> <p>The company will consider CSR but has limited financial power</p> <p>CSR identified as philanthropy and wellbeing</p>

	<p>working conditions and also environmental legislation. Also we have to be internationally certified as a condition for participating in the global market. Goods from China, India and Pakistan flood the market. We have better quality but we cannot afford the prices which they offer.</p> <p><b>B2.</b> We do not have many options. If we want to survive we have to adapt ourselves to the conditions. For example, we have to achieve workforce retention. You will say that is not a big deal as there is not much competition, but the biggest threat for us is the Romanian government which does nearly nothing to create jobs and support the SMEs. In order to be more competitive we are ISO 9001/2008 certified, environmental ISO 14001 certified and OHSAS 18001 certified.</p> <p><b>B3.</b> Firstly we have to be internationally certified as now we compete internationally, and therefore a main priority was to have all certifications such as: ISO 9001/2008 certification, environmental ISO 14001 certification and OHSAS 18001 certification.</p> <p><b>B4.</b> In the specific case of our company, we have to implement some OHS and labour standards, as a legal requirement and also as a precondition to participate in international bidding for contracts.</p> <p><b>C1.</b> Listen, if the government does not care, why should I? I do everything legally and the tax is killing my business. What exactly is expected from me? This CSR is too sophisticated for me. I am busy running my business; I do not need anything else.</p> <p>We have been assessed by DuPont and a person came from England to certify the ISO2001 for our company. Is this good enough?</p> <p>DuPont just offered training regarding the production side of the business and nothing else.</p> <p>We get support from DuPont which will deliver new technology and machinery to the value of 250 000€and which will be paid back in products.</p> <p>DuPont brings back contracts from China which was allocated to them and helped the company to build up their financial strengths by paying their</p>	<p>The main consideration is <i>workforce retention</i>.</p> <p>Shows the need to be competitive on the international markets.</p> <p>Wellbeing.</p> <p>CSR it is not a legal requirement and therefore it does not attract the managers' attention.</p>
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	<p>invoices very quickly. Their production capacity increased from 90,000 to 230,000 units/month.</p> <p>One person was trained by DuPont in Luxemburg where their comparable branch is situated.</p> <p>Our DuPont products are sold all over the world. Our DuPont contracts are about 60% of our total contracts and the rest of the products are sold under our own logo.</p> <p><b>C2.</b> As a small company, we believe that the legislation should be changed and some social obligations for companies should be imposed in return for some tax benefits. Otherwise everything is left to happen by chance. Why should we consider some social responsibilities, and if we consider them, to what extent should we consider them? We have limited financial resources and therefore we cannot consider, to a great extent, any social involvement. Our company has healthy principles.</p> <p><b>C3.</b> This kind of idealistic company behaviour is good for debate in your university. Here in the real world, we try to survive and we do the best we can. Between the general social interest and the company's interest, I will protect the company's interest. There is no one who will do differently in the existing conditions.</p> <p><b>D1.</b> Definitely a change in legislation is required. The government just looks to collect tax money to pay their debts and that is all.</p> <p><b>D2.</b> Due to the requirements of the national and international markets, global falls of the financial market could determine the orientation towards CSR as a survival mechanism of this tremendous global financial and economic disaster.</p> <p><b>D3.</b> A lot of foreign companies are interested in our company. Sooner or later we will have to apply CSR which I believe has become a very popular issue in all economic writings.</p>	<p>Change in legislation to offer tax initiatives for companies which implement CSR.</p> <p>Protect company's interest before the social good.</p> <p>Same observation as above, change in legislation is required.</p>
Stimuli/ barriers for CSR	<b>Q. In Romanian economic circumstances, are there stimuli for your</b>	



	<p><b>company to adopt the CSR? Which stimuli and why? What form of CSR would they most likely take on board? In Romanian economic circumstances, are there barriers for your company to adopt CSR? Which barriers, and why?</b></p> <p><b>A1.</b> There is no stimulus for adopting a more socially responsible activity for organisations. The only government initiative is collecting more taxes to cover their own mismanagement of the economy, as they owe money to the IMF and other international organisations, and are covering the pensions of 4.6 million people by taxing 4.2 million employees. This issue and corruption destroyed the meaning of working and responsibility as all the crooks make millions resting in comfortable parliamentary armchairs. This is propaganda for those who are dishonest and a lack of the responsibility of the political class.</p> <p>The government has no money for any kind of financial initiatives to support companies, with or without CSR programs, which has resulted in many SMEs closing down.</p> <p>There are no professional conferences in the textile industry and I suppose that other industries are in the same situation as company bottom lines were affected by the recession. Globalisation destroyed any kind of social initiative as the products made in Asia are cheaper which does not leave much room for covering social needs.</p> <p>The government has no vision for the economy and from this perspective the companies are in the vanguard, adapting themselves to the economic situation.</p> <p><b>A2.</b> No, there are no stimuli for adopting a more socially responsible performance for Romanian companies. The only aspect which I can think of is globalisation and the influence of multinationals.</p> <p>As barriers I can mention the weak financial power of Romanian companies.</p> <p><b>A3.</b> No, there are no stimuli for adopting a more social responsible activity for any organisation in Romania.</p> <p>The only barrier for companies to adopt a more socially responsible conduct is the Romanian government which kills everything with the tax system in place</p>	<p>There are no stimuli or barriers for CSR.</p>
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	<p>at this point in time.</p> <p><b>A4.</b> No, there are no stimuli for adopting a more socially responsible activity for any organisation in Romania, therefore, the government should legalise the issue and make it compulsory.</p> <p>As far as I know, there are no barriers for companies to adopt more socially responsible conduct, especially if the company is privately owned.</p> <p><b>B1.</b> No, there are no stimuli and there are no restrictions. You can do as you like, but the question is what you can afford to do. The government has no vision for the economy not only for the textile industry.</p> <p><b>B2.</b> No, there are no stimuli of any kind from any government structure, and I mean: no support from ministers, the Chamber of Commerce or any other institution. The only aspect which I may think of is globalisation and the international competition which we face now more than ever before.</p> <p>As barriers I can mention the tax system which kills any initiative, and the weak financial power of Romanian companies.</p> <p><b>B3.</b> I am not aware of any kind of stimuli for Romanian companies to adopt a more socially responsible performance.</p> <p>As barriers, which I can mention, are the weak financial resources of Romanian firms.</p> <p><b>B4.</b> No, there are no stimuli for Romanian companies to adopt a more socially responsible performance. The government ignores all data from the Bureau of Statistics and does nothing to support small companies, even when we have over 100 years of history and we are a landmark in our industry.</p> <p>As barriers I can mention the excessive tax system.</p> <p><b>C1.</b> As I told you, the government does not care, they just look after their own interests and they do not want to know what is happening with the ordinary people—it is just propaganda. We do not get any support from the government of any kind, including for CSR.</p> <p>Yes, there are different programs of the government and the EU but the process is so difficult and so long that, before you get it, the business opportunity has</p>	
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	<p>gone. And most of the time the funds are allocated to companies of the relatives of officials.</p> <p>We can never get a government contract because of the corruption.</p> <p><b>C2.</b> No, there are no stimuli of any kind from the Romanian government's side. Also, there are no specific barriers to applying CSR.</p> <p><b>C3.</b> We do not get any support of any kind from the Romanian government. What can be a stimulus for applying CSR are the conditions to access European Union funds, which any way are hard to get as the bureaucracy is so big and the corruption makes access to these funds impossible.</p> <p>There are no specific barriers to applying CSR except a company's financial capability, and of course its mentality, which characterises these humanitarian and public image activities as "loss of time".</p> <p><b>D1.</b> No, there are no stimuli of any kind.</p> <p>As barriers I can mention the tax system, which kills any initiative (the tax can get as high as 45%), and the weak financial power of Romanian companies which cannot invest in anything anymore.</p> <p><b>D2.</b> No, in the specific economic condition of Romania there are no stimuli for applying CSR. In the private sector, each company implements whatever they want according to their interests and their position on the international market.</p> <p>I can say that there are no barriers for our company to adopt CSR, but we have to invest time and money in educating our staff and for marketing, which will differentiate us from the rest of the companies. Barriers could come from our own employees who may not understand the benefits of CSR.</p> <p><b>D3.</b> I do not believe there are any stimuli. I have not heard about any stimuli in our industry or in any other industry.</p> <p>In our days everything has a cost, and CSR costs and therefore will take second place. It is hard to apply the CSR concepts when you have nothing to put on your table. As I said above, if it costs, the Romanian companies cannot afford</p>	<p>No stimulus. No barriers except limited financial power and government excessive taxation.</p>
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	it. That's it. If it costs and it is not compulsory, it is one less expenditure.	
CSR usefulness	<p><b>Q. As you describe the CSR concept, in what ways do you think CSR is useful or damaging to your company and why?</b></p> <p><b>A1.</b> CSR it is useful to any company and my company promotes a responsible management style. As we can see, the current economic crisis it is actually a management crisis. These new generations of managers at micro or macroeconomic level are not properly educated and are appointed on political affiliation. However, I am strongly supporting the idea of licensing managers before appointment into a middle and high level of management. This action can prevent many bankruptcies or fraudulent activities at the management level. Specifically for my company, we have in place a very strict process of selecting, testing and promoting capable people in management positions.</p> <p><b>A2.</b> CSR is useful as it will help to improve a company's image and will create a competitive advantage.</p> <p><b>A3.</b> CSR it is useful to our company because we get employees' loyalty.</p> <p><b>A4.</b> CSR it is useful to our company as it encourages a healthy relationship with the employees and shows that we care for their problems.</p> <p><b>B1.</b> CSR is useful and I would like to know more about it.</p> <p><b>B2.</b> There is no doubt that CSR is useful and will contribute to the company's image.</p> <p><b>B3.</b> CSR is useful to all firms and will contribute to improve productivity and public relations.</p> <p><b>B4.</b> CSR is useful in establishing a healthy working climate.</p> <p><b>C1.</b> I cannot honestly answer your question. These concepts, as you name them, are not very clear to a lot of the managers and owners. The Chamber of Commerce and Industries has never informed us about these things, and if it is so important that you came from Australia to interview me, means that it is important and these people here they do not care about it.</p>	<p>CSR is useful.</p> <p>Yes, it is useful for creating competitive advantage.</p> <p>Some of the managers with limited</p>

	<p><b>C2.</b> In general terms I believe that this concept can be useful.</p> <p><b>C3.</b> In an appropriate business environment I do believe that this concept can be useful.</p> <hr/> <p><b>D1.</b> I have no doubt that CSR is useful. The companies have no financial power to engage in it but definitely, in the future, all will be engaged in these activities or concepts as you name them.</p> <p><b>D2.</b> I believe that the concept of CSR can be useful to my company. I cannot see any reason why CSR could damage my company.</p> <p><b>D3.</b> Personally, I believe that we are far from applying the concept of CSR in Romania. We have to start educating people from school to understand why it is important to apply CSR. Also, if there is not a legal requirement for CSR and no one applies it, why I should do it?</p>	<p>CSR knowledge are not very sure as the CSR term is confusing for them.</p> <p>Most of the managers declared that CSR is useful for any company</p> <p>Necessity of CSR education.</p>
The CSR extent	<p><b>Q. In your overall opinion, is CSR is more applicable to larger rather than smaller firms? Why?</b></p> <p><b>A1.</b> I strongly believe that the big corporations have more power than the small companies and they are more socially oriented.</p> <p><b>A2.</b> The big corporations have more financial power than the small companies and therefore, they can be more socially oriented.</p> <p><b>A3.</b> No, this concept could be applied to all companies.</p> <p><b>A4.</b> No, I believe that this concept could be applied to all companies, big or small.</p> <hr/> <p><b>B1.</b> I believe that the concept of CSR must be applied to all companies.</p> <p><b>B2.</b> I think that all companies should be, and are, socially responsible. We have to comply with the legal requirements which keep the companies within boundaries.</p> <p><b>B3.</b> Bigger companies have more financial resources and can be more socially</p>	<p>Applies to big companies.</p> <p>Applies to all companies.</p> <p>Applies to all companies.</p> <p>Applies mostly to big companies.</p>

	<p>oriented.</p> <p><b>B4.</b> CSR can be applied to all companies, big or small. Big companies have big problems, small companies have smaller problems, but these problems are equally acute.</p> <p><b>C1.</b> I do not know. Probably bigger companies are in a better financial situation.</p> <p><b>C2.</b> This concept can be applied to all companies.</p> <p><b>C3.</b> I believe that this concept can be applied to all companies regardless their size and profile.</p> <hr/> <p><b>D1.</b> I think that the small companies can overcome these requirements by working together, in all aspects, against competition. I mean regarding product diversification and marketing.</p> <p><b>D2.</b> I think that CSR should be applied by all companies; maybe at the beginning the biggest companies will apply it because they have more financial power, but at the same time, the smaller companies will start to apply CSR as a necessity, to position themselves on the market.</p> <p><b>D3.</b> I think that CSR should be applied to all companies, small or big, as far as there is a legal requirement for it and an education system for CSR in place. Now as we a part of the European Union, we have to show, sooner or later, adherence to CSR in the work place.</p>	<p>Applies to all companies.</p> <p>Applies mostly to big companies.</p> <p>Applies to all companies.</p> <p>Applies to all companies.</p> <p>Applies to all companies.</p> <p>Applies to all companies.</p>
Philanthropy	<p><b>Q. Does your company support or sponsor any community programs? How do you do that, and why?</b></p> <p><b>A1.</b> In our actual situation, the employee's boss is his singular point of advice, support, guidance, and thankfully we are close to our employees in supporting them during their private hardships. We offer them a limited amount of money with no interest in cases when a family member is deceased, as there is no form</p>	<p>Strong relationship between manager and employee. Evidence of philanthropy as a form of social responsibility.</p>



Working conditions	<p><b>Q. In your management philosophy, how important is employees' wellbeing and the work environment? Why?</b></p> <p><b>A1.</b> I am promoting emotional intelligence in the company management philosophy, but I have also established clear boundaries for how far I am going in accepting these social responsibilities. My company it is an international organisation with branches in Germany. We provide a high level of Occupational Health and Safety as we are ISO2001 accredited for our employees, qualifications and promotions. People with no clear affiliation to these basic human requirements have no place in the management of any company.</p> <p><b>A2.</b> It is very important is to have a correct remuneration system and good working conditions which will create employees' loyalty.</p> <p><b>A3.</b> In our management philosophy, the employee's wellbeing and the work environment is very important as the employee is much more productive in good working conditions.</p> <p><b>A4.</b> An employee who has good working conditions is a loyal employee.</p> <hr/> <p><b>B1.</b> The working conditions are established by legislation. Above it we improved the conditions in the changing rooms and the heating system for winter, and we also give to our employees some benefits such as food vouchers.</p> <p><b>B2.</b> It is very important to have good working conditions and a fair remuneration system in place, which will create employees' loyalty. Also, above our legal obligation, we offer our employees food vouchers, discounts when they purchase our products, and we offer holiday packages at a discount price in the company owned holiday house at the seaside.</p> <p><b>B3.</b> It is an important issue and we work hard to get it right. Firstly we comply with the legislation, but above all we give our employees some benefits which increase productivity and create employees' loyalty.</p> <p><b>B4.</b> It is very important is to have good working conditions which will increase productivity, the quality of the products, and which will create employees'</p>	<p>Strong relationship between manager and employee.</p> <p>OHS as a legal requirement and a form of CSR.</p> <p>Remuneration and OHS as a legal requirement and a form of CSR.</p> <p>OHS as legal requirement and a form of CSR.</p> <p>OHS as a legal requirement and a form of CSR.</p>
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	<p>loyalty.</p> <p><b>C1.</b> We want our employees to have the best working conditions and therefore we have a very good loyalty records. We organised two qualifications courses with 76 local people being qualified and employed. 20% were from a disadvantaged segment of the population (gypsies). We have a very stable work force.</p> <p><b>C2.</b> By law we have to comply with the OHS and labour legislation. As an extra contribution, the company provides free transport for employees and food vouchers.</p> <p><b>C3.</b> Our work force comes from the local community. We are an SME which has emerged from this community and we do what ever we can to create the best working environment we can for our employees. We are offering jobs giving priority to the locals, and in return we get very good loyalty.</p> <hr/> <p><b>D1.</b> We know that our workforce is here for the salary and to get a pension. Their involvement is just circumstantial. Regardless, we support them and we try to keep them in the company for as long as we can. We qualified them to be multi-skilled and to cover as many jobs as they can. We sometimes work overtime to meet the deadlines, and sometime they are off because we do not have orders. But we try to keep as many of them as we can.</p> <p><b>D2.</b> The working conditions are very important for our employees and their wellbeing is reflected in the quality and quantity of the company's products. A happy employee tells 10 other people about our company and the company's products, which will be reflected in the company's bottom line and in the bonuses they receive.</p> <p><b>D3.</b> I believe that there is a balance between the employee's wellbeing and the company's success. It is very important to involve the employees in company's success and reward them when the company is successful, and they will come to work with pleasure.</p>	<p>Working conditions are very important.</p> <p>OHS as legal requirement and a form of CSR.</p> <p>Working conditions are very important.</p> <p>Working conditions are very important.</p> <p>Working conditions are very important.</p>
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Supply chain management	<p><b>Q. In your supply chain management, how important is it for your company's commitment to a socially responsible business model? Why?</b></p> <p><b>A1.</b> We do not know all of our suppliers' management philosophies, but we clearly know that they do not have any legal issues. Our relationships are based on supply and demand principles watching price, quality and delivery. All other aspects of our relationship are legally based and stipulated in contracts. None of them have any environmental issues as far as I know.</p> <p><b>A2.</b> This is very important because their CSR orientation is a guaranty for us that our products are safe.</p> <p><b>A3.</b> Our relationship with the suppliers is contract based.</p> <p><b>A4.</b> Our company image is very important for us and therefore, the reputation and image of all our suppliers is important for us.</p> <hr/> <p><b>B1.</b> We have worked with these suppliers for over 30 years. I do not know how socially responsible they are, but they are from Austria and they have to comply with the local legislation which I assume is just better than the Romanian. What it is important for us is quality, price and delivery. They are OK. I visited them a couple of times and they visited us.</p> <p><b>B2.</b> We have no problems with our suppliers. They are from Austria and we have worked with them for many years. We have all kind of arrangements including 30 days credit.</p> <p><b>B3.</b> As far as I know, we have been in a business (contractual) relationship with our suppliers for many years and they have a good reputation. I have never heard about any problem with the suppliers.</p> <p><b>B4.</b> We do not have a problem with that. We have our suppliers from Austria and we have worked with them for over 30 years. They are serious, have a good reputation and we will keep this relationship as long as we can. Their goods are certified internationally and are of premium quality.</p> <p><b>C1.</b> We have a very good relationship with our suppliers; we even get 60 days credit. As far as I know, none of them have any problems with the government</p>	<p>Relationship based on supply and demand. No legal issues with our suppliers.</p> <p>It is important to be CSR oriented.</p> <p>Contract based relationship. Suppliers could damage the company image and reputation.</p> <p>Contract based relationship.</p> <p>Contract based relationship.</p> <p>Contract based relationship.</p>
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	<p>or with the employees. They are good people.</p> <p><b>C2.</b> We do not have problems with our suppliers. Most of the raw materials are provided by DuPont. We just come with the labour.</p> <p><b>C3.</b> We have a long term relationship with our suppliers. They have a good reputation. The situation was not always like this but we selected them and now we have no problems with the suppliers. Du Pont is a quite serious company and we work well together. They have even withdrawn some products from a Chinese manufacturer and given them to us.</p> <p><b>D1.</b> In our case we do not care much about this issue. If you have the product we need, it is of the required quality, the price is good, and if you deliver it on time, we will deal with you. Everything else it is not important. We are interested in price, quality and we are serious.</p> <p><b>D2.</b> It is important for us that our suppliers adopt the same values.</p> <p><b>D3.</b> Very few of them heard about CSR. The young one has no idea of such thing as CSR.</p>	<p>Contract based relationship.</p> <p>Contract based relationship.</p>
Code of Conducts	<p><b>Q. Does your company have a Code of Conduct? Why?</b></p> <p><b>A1.</b> Yes we do. Our Code of Conduct is based mostly on legislation (Legea Contractelor de Munca, 1995 and Legea 31 din 1990 Legea Societatilor Comerciale updated in 2010.)</p> <p><b>A2.</b> Yes, but we do not call it a Code of Conduct, it is called the Organisation's Internal Rules and it is based mostly on legislation (Legea Contractelor de Munca, 1995 and Legea 31 din 1990 Legea Societatilor Comerciale updated in 2010.)</p> <p><b>A3.</b> Yes we do. It is part of the employment contract.</p> <p><b>A4.</b> Yes we do. It is part of our legal obligations.</p> <p><b>B1.</b> Yes, we do.</p> <p><b>B2.</b> Yes, but we do not call it a Code of Conduct it is called the Organisation's</p>	<p>It is a legal obligation and it is based on numerous legislation covering industrial relations, environmental issues and OHS.</p>

	<p>Internal [Governance] Rules and it is based mostly on labour legislation.</p> <p><b>B3.</b> Yes, it is called the Organisation’s Internal Rules and it is based mostly on legislation—labour legislation (Legea Contractelor de Munca, 1995 and Legea 31 din 1990 Legea Societatilor Comerciale updated in 2010.)</p> <p><b>B4.</b> Yes, but we do not call it a Code of Conduct it is called the Organisation’s Internal Rules and it is based mostly on legislation (Legea Contractelor de Munca, 1995 and Legea 31 din 1990 Legea Societatilor Comerciale updated in 2010.)</p> <p><b>C1.</b> Our Code of Conduct is very simple. The company employs local people and we do not have any behavioural problems, lack of honesty or any other issue. The only major issues are OHS and production-related.</p> <p><b>C2.</b> Yes. It is a legal issue.</p> <p><b>C3.</b> We call it Internal [Governance] Rules and it is required by law when you register the company.</p> <p><b>D1.</b> Yes, it is called Rules for interior order and it is based on labour contract law. What is most annoying here is that many managers of bankrupt companies just create other companies and continue with their practice—and that is not only the case with Romania. There are international crooks, which we have been victims of, and the governments should step in to prevent this kind of theft.</p> <p><b>D2.</b> Yes, it is called Rules for interior order which is the guaranty of good product quality and also good governance of our company.</p> <p><b>D3.</b> Yes, and it is focused mostly on people dealing with other companies.</p>	<p>It is a legal obligation and it is based on numerous legislation covering industrial relations, environmental issues, and OHS.</p> <p>It is a legal obligation and it is based on numerous legislation covering industrial relations, environmental issues, and OHS.</p> <p>It is a legal obligation and it is based on numerous legislation covering industrial relations, environmental issues, and OHS.</p>
Environment	<p><b>Q. Does your company have an environment department or officer responsible for managing environmental issues? Why?</b></p> <p><b>A1.</b> Yes, the person is affiliated with the HR department and has the</p>	<p>There is an officer overseeing</p>

	<p>responsibility of overseeing all social and environmental issues.  <b>A2.</b> Yes, it is a legal requirement.  <b>A3.</b> Yes, it is a licensing requirement.  <b>A4.</b> Yes, as a result of the importance we give to environmental issues.</p> <p><b>B1.</b> Yes, it is a legal requirement.  <b>B2.</b> Yes, it is a legal requirement.  <b>B3.</b> Yes, it is a legal requirement.  <b>B4.</b> Yes, it is a legal requirement to get the license to operate.</p> <p><b>C1.</b> No.  <b>C2.</b> No. According to the contract with DuPont, the waste has to be destroyed as a guaranty of the company's secrets.  <b>C3.</b> No. As we are garments manufacturers the environmental issues are not applicable.  <b>D1.</b> Yes, it is a legal requirement and the environmental inspectors often come to check if we comply with the standards.  <b>D2.</b> Yes, the environment inspectors give us fines if we are not environmentally responsible.  <b>D3.</b> Yes, the person manages all the legal aspects of the environment.</p>	<p>environmental issues.</p> <p>There is an officer overseeing environmental issues.</p> <p>There is an officer overseeing environmental issues.</p> <p>There is an officer overseeing environmental issues.</p>
Other CSR issues	<p><b>Q. Are there any other CSR issues that we have not discussed yet and that you find worrisome?</b>  <b>A1.</b> Yes. Our branch in Germany is covered by German legislation which covers multiple aspects of CSR. The branch has independence in many aspects, but the financial resources are provided from Romania.  We are exposed to big competition, as all big textile and fashion companies are present in Romania, which is good as it will keep us in check and in this way</p>	<p>The company has to comply with the German legislation and the CSR requirements.</p>

	<p>the quality of our products are at an international level.</p> <p><b>A2.</b>No.</p> <p><b>A3.</b> Yes, the government should offer tax benefits to companies which support community programs or institution such as the school for disabled children.</p> <p><b>A4.</b> No, but we are open minded and we welcome any suggestion.</p> <p><b>B1.</b> No.</p> <p><b>B2.</b> No.</p> <p><b>B3.</b> No.</p> <p><b>B4.</b> No.</p> <p><b>C1.</b> No.</p> <p><b>C2.</b> No.</p> <p><b>C3.</b> No.</p> <p><b>D1.</b> No. I believe we have covered everything.</p> <p><b>D2.</b> I am confident that we covered all the CSR issues and in future we will use CSR better.</p> <p><b>D3.</b> We live in a very individualistic society and, as long as we have laws which are not applied, I cannot see any substantial progress for CSR in Romania in the near future.</p>	<p>Government should support CSR initiatives.</p> <p>CSR should be legally enforced.</p>
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