Corporate Social Responsibility in the Transition Economy of Romania

Sorin Blaga



Supervisor: Dr. David Bubna-Litic

Associate Supervisor: Professor Thomas Clarke

This thesis is submitted in fulfillment of the requirements for the degree of

Master of Business Management (Research)

Graduate School of Business

University of Technology, Sydney

Australia

February 2013

Certificate of authorship / originality

I certify that the work in this thesis has not previously been submitted for a degree nor

has it been submitted as part of requirements for a degree except as fully acknowledged

within the text.

I also certify that this thesis has been written by me. Any help that I have received in my

work and the preparation of the thesis itself has been acknowledged. In addition, I

certify that all information sources and literature used are indicated in the thesis.

Sorin Blaga

Production Note:

Signature removed prior to publication.

Date: 20.02.2013

i

Acknowledgement

The author of the thesis expresses his enormous gratitude and wishes to acknowledge that the research carried out during these years could not be possible without the continuous support, guidance and mentoring of Dr. David Bubna-Litic.

I thank Patricia Treagus for her editorial assistance.

Table of Contents

Certificate of authorship / originality	i
Acknowledgement	ii
List of figures	viii
List of abbreviations	ix
Abstract	11
Chapter1. Introduction	12
Chapter 2. The Evolution of CSR	13
2.1 Introduction	13
2.2 Context of Social Responsibility development	13
2.3 Philanthropy and the rise of CSR	15
2.4 The Development of CSR in the West	17
2.5 CSR in the new Millennium	22
2.6 Conclusions	27
Chapter 3. The European CSR	30
3.1 Introduction	30
3.2 CSR and International Organisations	30
3.3 Romanian CSR literature	33
3.4 Conclusions	36
Chapter 4. CSR in Romania	37
4.1 Introduction	37
4.2 The Impact of Transition in Romania: From Communism to De	emocratic
Capitalism	37
4.3 The Origins of CSR in Romania	40
4.4 CSR legislative support	42

	4.5 Key Romanian CSR stakeholders	43
	4.5.1 Analysis of major Romanian CSR participants	43
	4.5.2 Romanian Government	43
	4.5.3 Romanian Civil Society	44
	4.5.4 Multi-National Corporations	44
	4.5.5 Non-Government Organisations	47
	4.5.6 Romanian Media and CSR	48
	4.5.7 CSR and Romanian Universities	49
C	Chapter 5. CSR instruments used by Romanian Organisations	51
	5.1 Introduction	51
	5.2 Business Codes of Conduct	51
	6.1 Introduction	57
	6.2 Qualitative method employed	58
	6.2.1 Research Rationalities	58
	6.2.2 Procedures	59
	6.2.3 Ethical issues	60
	6.2.4 Participant recruitment	60
	6.2.5 Interview guidelines and process	61
	6.2.6 Data analysis	63
	6.2.7 Quality control and risk assessment	64
	6.2.8 Strengths and limitations of method employed	64
	6.3 Research Benefits	65
	6.4 Conclusions	65
C	Chapter 7. CSR in the Textile Industry	67
	7.1 Introduction	67
	7.2 Economic and Social Context	67

7.3 Conclus	sions	70
Chapter8. Re	sults and Discussion	71
8.1 Introduc	ction	71
8.2 Researc	h Findings	75
8.3.3 Con	nclusion	80
8.4 Researc	h Question 2	81
8.4.3 Wh	y Romanian managers applied CSR elements	85
8.5 Researc	h Question 3	90
8.5.1 Cor	nclusion	98
8.6 Researc	h Question 4	98
8.6.2 CS	R adoption process in Romania	99
8.6.3 The	e Theory of Adoption	99
8.6.3.1	Stage 1: Knowledge	101
8.6.3.2	Stage 2: Assimilation of CSR knowledge	102
8.6.3.3	Stage 3: Assessment of CSR requirements	103
8.6.3.4	Stage 4: Adoption of perceived valuable CSR practices	105
8.6.3.5	Stage 5: Decision	105
8.6.3.6	Stage 6: Implementation of specific CSR practices	106
	Stage 7: Confirmation (CSR's contribution to the bottom line)	
8.6.4. Conclus	sion	109
Chapter 9. C	onclusion	110
9.1 CSR Ov	verview	110
9.2 Overvie	ew of CSR in Romania	111
9.3 Review	of CSR findings	112
9.4 The reso	earch questions	113
9.4.1 Res	search Question 1	113
9.4.2 Res	search Question 2	115

9.5.3 Research Question 3	116
9.5.4 Research Question 4	118
9.5 Perspectives of CSR in Romania	119
9.6 Research Contribution to CSR knowledge	120
9.6.1 Theoretical contribution of the research to the CSR body of kno	wledge 120
9.6.2 New and unexpected findings	121
9.7 Strengths and Limitations	122
9.8 Final summary	123
Appendix1	124
Registrations of Commercial Companies with Foreign Participation in S	ubscribed
Social Capital by Investors Residence Country* in January 2009	124
Appendix2	126
Registrations of Commercial Companies with Foreign Participation in S	ubscribed
Registrations of Commercial Companies with Foreign Participation in S Social Capital by Investors Residence Country* in January 2009	
Social Capital by Investors Residence Country* in January 2009	126
Social Capital by Investors Residence Country* in January 2009	126 128
Social Capital by Investors Residence Country* in January 2009 Appendix3	126128
Social Capital by Investors Residence Country* in January 2009 Appendix3	126128128
Social Capital by Investors Residence Country* in January 2009	126128128129
Social Capital by Investors Residence Country* in January 2009	126128129129
Social Capital by Investors Residence Country* in January 2009	126128129129131 The interview

List of tables

Table 1. Devinney's CSR views	27
Table 2. CSR and international organisations	33
Table 3. Foreign Direct Investment attracted by Romania during 2003–2009	445
Table 4. World merchandise trade by product	677
Table 5. Textile Industry in the European Union in 2009	68
Table 6. CSR knowledge in the Textile Industry	78
Table 7. CSR findings overview	10808

List of figures

Figure 1. The pyramid of corporate social responsibility	23
Figure 2. CSR: a new interpretation.	222
Figure 3. SMEs – Number of employees	42
Figure 4. Companies reporting CSR	47
Figure 5. CSR and international instruments	48
Figure 6. CSR Media Coverage	50
Figure 7. Data processing model	64
Figure 8. Level of CSR adoption	10101
Figure 9 The Process of CSR Adoption	10707

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.