

IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON SUSTAINABLE ENTERPRISE DEVELOPMENT

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Key words: Corporate Social Responsibility, Sustainability, Stakeholder Engagement.

Abstract—Corporate Social Responsibility (CSR) is a recent entry in the economy of modern enterprise both at global level and for Romanian companies. CSR adds a new dimension to the enterprise's performance in the social fields, contributing to the sustainable development of economic entities. CSR components are included in an international standard – ISO 26000. The paper presents authors' experience in implementing this standard. Possible steps of a roadmap for CSR implementation:

- a. Top management endorsement and nomination of a complex CSR team
- b. Developing formal company CSR policy documents
- c. Selecting and engaging the company's stakeholders as early as possible.
- d. Building a Project Advisory Board – useful in every modern managerial tool application should guide the progress toward CSR.
- e. An external facilitator would help solve internal conflicts.
- f. An audit of what CSR represents for the Company, what are the CSR options, e.g., promoting a "green company" profile, what would be the best impact of philanthropy and community volunteering, etc.
- g. Generate a CSR portfolio of actions, setting deadlines, responsibilities and allocating resources, establishing communication, reporting, monitoring and corrective procedures
- h. upgrading the sustainable enterprise strategy.

The authors experience led to the following conclusions:

1. Critical relevance of top management involvement
2. Stakeholders contacted as soon as possible in the process
3. The Project Advisory Board legitimates the actions taken under the mainframe of CSR
4. Aligning CSR policies to every other policy in the Company and make a system of coherent documents from ISO 9001, 14001, 18001, and 26000 that should work in a holistic manner. Focal company operates in municipal services having constant contact with all stakeholders.

The paper substantiates a previous work that analysed modern managerial tools.

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1. Driving forces for CSR

Though not compulsory, the set of international standard documents formalizing the social responsibilities of an organization (ISO 26000, 2016) represents a multi-stakeholder effort to create a basic mainframe for a subject believed as difficult to understand and apply, in many instances. Consequently, the European Commission put forward in 2011 a new definition of CSR as “*the responsibility of enterprises for their impacts on society*” and a strategy to put it to work at EU and company’s level (EU-CSR, 2011). The Corporate Social Responsibility addresses mainly business units but it is not limited to them. This is why the ISO 26000 mentions *Social Responsibility* and not *Corporate Social Responsibility* and why business as well as organizations, in general should pay attention to the subject (compliance to the existing legislation as well as to any collective agreements between business and social partners but also the obligations for companies and organization to elaborate and implement an integrated business, social, environmental, ethical, human rights and consumer concerns into their strategy). This should be done in a transparent mode and in close collaboration with all company relevant stakeholders.

The industry is not at its first attempt to open to public scrutiny all its internal processes. Worth mentioning is the *Responsible Care* framework (Responsible Care, 2016) coming in 1985 and initiated by the chemical industry after a series of major catastrophic accidents. The Responsible Care is a voluntary step taken by chemical platforms that use completely new ways for openness and collaboration among companies and their stakeholders, including communities, NGOs, media. Romanian initiatives are present (CSR-Romania, 2015) but rather sparse, hence the motivation for the present paper to detail a guide for CSR implementation at enterprise level. The paper continues also a previous work dedicated to the implementation of modern managerial techniques (Danubianu and Teodorescu, 2016).

2.CSR road-map for implementation

The present paper details the steps related to CSR implementation in a business company. There is no consensus about how CSR would be part of company business and policies. The main steps for CSR implementation detailed here are based upon authoritative sources known for their commitment to the triple bottom line of sustainable development (economic, environmental, social) (EU-CSR, 2011). They are presented as they have been used in specific cases for Romanian companies, together with barriers encountered and how they have been overcome.

2.1. Top management commitment. Obtaining a formal commitment of the company's top management is essential. It is usually expressed in formal document, explicitly designing the objectives and scope of CSR, its importance for the future development of the company. The top management issues the experts in the CSR team and its responsible. The employees must realize that the commitment is genuine and that implementing CSR will not end with a document to be shelved and forgotten. Here the role of an external facilitator proved essential in order to catalyse the collaboration among all team members (having very different background and expertise) and solve potential conflicts. For all the CSR team members it was important to understand that they are working together as equal partners, each coming with his own background, forgetting hierarchical differences. Ideas and opinions must be encouraged to flow free. Critical analysis will come later.

2.2. Preparatory Audit. A CSR audit and assessment is the following step. A presentation of what CSR is and what should be the outcomes of the implementing process is made by the external facilitator. CSR questionnaires and interviews conducted by the external facilitator would lead to assess where exactly the company is in the field of CSR (not where the top managers believe it is!). Some questions covered by the audit:

- a. Is CSR really an issue for the company?
- b. Does company managers and top experts dedicated to the subject?
- c. What are the top priorities and if CSR or some of its components are on the management's shortlist.
- d. Has the company any experience in relations with stakeholders?

In order to access all relevant and sensitive information in the company, questionnaires were forwarded to the external facilitator unsigned and interviews were conducted separately with all managers and other stakeholders inside the company (e.g., PR manager, employees' union). Selected stakeholder representatives are also contacted following recommendations from the company's top management but also based on the facilitator's own background experience. The conclusions of this stage are presented to the CSR team. Differences between the existing situation and the expected final result of the CSR implementation are underlined. They will be the main driving forces for the process.

A list of issues, classified along their relevance for the company and along the capacity of the company to sort them out is set up at this stage. The CSR Team starts now working on a CSR Policy of the Company, a short, synthetic, mobilizing document endorsed by all employees. The process should not be hurried as the CSR team is learning only little by little what CSR is. A final version of the policy would come at the very end of the implementation process, after a trial & error process and confrontation with new CSR aspects, with board members wishes, etc.

2.3. Engaging Stakeholders. The company does not activate in a vacuum environment. A list of potential stakeholders and their place and inter-relations is reproduced in Fig. 1 (Danubianu and Teodorescu, 2016; Werther and Chandler, 2006).

Essentially, the company's stakeholders can be grouped in several imbricated categories:

- Societal stakeholders (outer category that includes all the following ones);
- Business stakeholders
- Organizational stakeholders (inner most category)

But the above categories of various stakeholders are not disjoint, as some stakeholders can be presented in more than one category, e.g., administration representatives and some employees may become customers, members of communities are most probably present in the company's employee's category and some even may be shareholders.

Author's experience led to a hierarchy of stakeholders arranged following their interest and control capacity over the company:

1. Shareholders
2. Administrative and enforcing entities.
3. NGOs (especially in the case of public service companies or in those known for their relevant impact over the environment)
4. Financing entities
5. Communities
6. Customers and partners on the value chain
7. Organizational stakeholders.

When it comes to social actions developed by the company the above hierarchy changes drastically, since the first places will be occupied by stakeholders interested in company's philanthropy or volunteering, the most visible CSR actions:

1. Communities
2. NGOs
3. Organizational stakeholders
4. Company's customers, etc.

The CSR team must identify correctly the real challenges to the company and why openness and cooperation with all stakeholders is beneficial and will help the company during the current trend of rapid globalization where accelerated technology development creates new contexts and adds another dimension to the business analysis, how it would affect the company and its stakeholders in the future (the dynamic component of CSR).

Stakeholders must become aware of the company project of implementing CSR and engaged as valuable partners as early as possible in the process, but it

pertains to the company's top management what would be the discussion portfolio with each stakeholder. The same top management must require from the CSR team a list of expectations related to each contacted stakeholder in order to know exactly what policy approach to apply in each specific case.

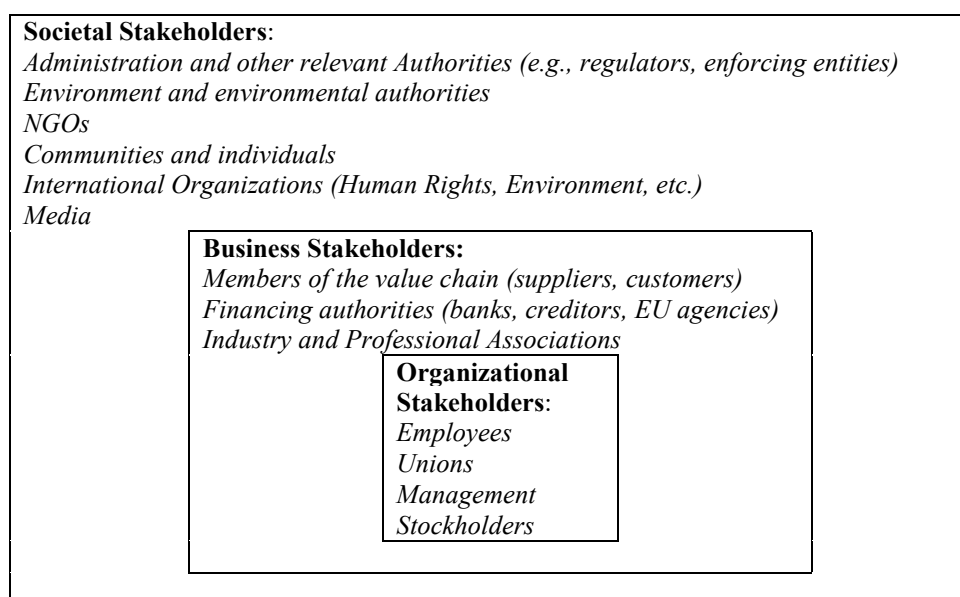


Fig.1. Categories of Company's stakeholders (Werther and Chandler, 2006; Danubianu and Teodorescu, 2016)

In the case of implementing CSR, the role and structure of a *Project Advisory Board* (PAB) is critical. The PAB and its members' role and impact is detailed below:

- a. Generate legitimacy to the CSR Project, showing that the company is determined to act along CSR requirements and in doing so, it is looking for the most relevant expertise and advice in the field
- b. Monitor and censor the CSR Team by continuously assessing its actions, offering feedback in real time. Only a consensual collaboration between the company and the PAB ensure that CSR options and actions are valuable, have the expected impact and are tailored exactly upon what all stakeholders, internal and external, as a whole body, believe is best at a specific moment.
- c. To add the knowledge-based actions dimension during interaction with all stakeholders, easing communication

PAB members should have also a background expertise complementary to the experts inside the company covering fields less familiar to the company, e.g., climate changes and habitat dynamics, socio-cultural, historical,).

Even if the PAB and external complete the environment in which company's managers act and decide, it is underlined that the ultimate responsibility lies in the actions of company's managers and that PAB and other stakeholders are only consulted and informed (Hohnen, 2007). Still, there are situations in which a specific CSR action may be based on the decision coming from outside the company (what families to help in a philanthropic action). The relationship among company and stakeholders is a dynamic one as, in time, new stakeholders may come in and other leave the CSR horizon.

Though it doesn't mean additional expenditures for the company, this 2nd step of implementing CSR is probably the most difficult to put in practice, as intangible as it may look. It implies the generation of new (not necessarily business but certainly human) relations with new partners. Understanding every partner and learning to work together takes time and generates a lot of social entropy.

2.4. Selecting CSR Actions. Generating CSR strategic objectives represent the first stage in which new actions originating from the company, see the real world. They are briefly presented in the subsequent paragraphs (CSR-Romania, 2015, Danubianu and Teodorescu, 2016):

a. *Cause promotion.* The company frees resources in order to increase its visibility in supporting a cause, to increase public awareness to mobilize the public to donate or participate to the cause

b. *Cause Related Marketing.* For a limited period of time, the company donates in favour and benefit of an entity (e.g., 2% of sales of a specific product go to the provide equipment for specific hospitals)

c. *Corporate Social Marketing.* The company fights against a negative aspect or a dramatic situation (family violence, helping people with disabilities, fight against pesticides in food, etc.). It contributes to the change of the public behaviour as a consequence of this focused action of the company.

d. *Corporate Philanthropy.* The company directly contribute to support an urgent case (saving a community affected by a catastrophe, help some individuals to go abroad for learning, medical treatment, taking part into contests, etc.).

e. *Community Volunteering.* The company encourages its employees to take part in supporting a community or a cause (employees and equipment, wearing company's logo go cleaning a National Reservation, go building houses for poorer families, etc.).

The five CSR main directions presented above may be complemented, in a specific case, by additional strategic action relevant for a company. At a given

moment, not all these directions are of the same importance and come with the same benefits in the short, medium or long term. In addition, company's resources for such programs are very limited so they must be carefully spent to get the most benefit of it. Here, of great help could be a modern managerial tool, namely the Multi-Criteria-Decision-Making (MCDM) Matrix, already presented in a previous work (Danubianu and Teodorescu, 2016). Its role is to offer to company's managers an analysis as un-biased and objective as possible, about the potential CSR actions by evaluating each action along a number of criteria. Scores are given to each CSR action by managers and – possibly – stakeholders and criteria are classified along their relevance and intended impact. A hierarchy of actions results, stakeholders and company representatives are requested to fill in a MCDM table and their contributions is consolidated in a final score for each direction. In order to establish the priority of actions – as in Table 1.

Table 1. Results from a CSR multi-criteria decision making analysis.

	Cause Promotion	Cause Marketing	Social Marketing	Philanthropy	Volunteering
SCORE	30	18	41	40	38

There are many developments of the MCDM presented here. The first step is to replace the relevancy of criteria by computing a Kendall rank correlation coefficient for each option. Another step could be allocating relevance scores to stakeholders based upon their impact upon the company (suppliers cannot be as important as communities or Environmental Enforcing Authorities). Further complications include stochastic modelling, applying dedicated software, etc., but the above approach has the important advantage to be readily understood by all CSR components and, which is even more important, by all stakeholders.

As it can be seen, there are 3 directions very closely grouped together. Keeping in mind that individual scores cannot be 100% un-biased and objective, selecting only the top priority action based only upon the above results would be a big mistake, instead, managers must retain all three options, proceed to a more detailed analysis and repeat the process whenever the CSR horizon changes (new marketing opportunities, new stakeholders came in, stringent demand for action from the public, etc.)

The MCDM matrix should be developed together with and endorsed by all stakeholders so that the final result (a table like the above one) is based on general consensus.

Such a procedure, however, cannot be used when the company must take a decision on the spot (e.g., support an individual in a very bad need of help). It is important to note that the above procedure must be doubled by a very strong ethical component and a wish to do-good, before pondering what could be the

outcome for the business. It is the managers' choice to advertise their actions as loudly and cynically as possibly or let the actions speak for themselves. An educated public would be more sensitive to the later approach.

2.5. CSR put in practice. Translating CSR policy and decisions in practice should follow procedures already familiar to the company's managers. The above mentioned lines of actions are detailed in much more specific activities:

- CSR in Corporate Governance – all managers must become aware of the CSR dimension added to their tasks
- CSR in the environmental protection and reconstruction. Here, detailed Cleaner Production assessment must be developed, action taken to refurbish the technologies along the Best Available Documents (BAT) provisions, initiate a Circular Economy policy for the Company to turn waste and unused capacities into resources and profitable assets
- Increasing the awareness of stakeholders along the value chain and of the communities
- Educational actions in schools and the academic media (e.g. seminars in CSR organized with nearby universities)
- Law abiding and Zero-Corruption
- Value chain observing the triple bottom line of sustainability
- Identify skilled individuals and helping them going to renown educational entities
- Applying widely recognized reporting frameworks (e.g., GRI, 2015), etc.

Such activities should be included in Action Plans for implementing each specific CSR issue. Action Plans will follow as much as possible the usual procedures to which Company managers are familiar with and improve them step by step (e.g., develop analysis and monitoring along the Deming Cycle, assessing the environment state along the DPSIR components, etc.). Though allocating resources and nominating responsible persons must be carried out by the company, putting all the elements of action plans into work should be the task and assumed responsibility of as many stakeholders as possible. The same stands for the activities related to the assessment of the progress and of corrective actions during the implementation of each approved CSR option.

As company's resources are limited, wherever possible, CSR actions may and should engage more than one company, joining resources and sharing benefits. An important aspect related to Action Plans is the Key Performance Indicators (KPI) set that must be associated to them (The Balanced Scorecard institute, 2016). Devising the right set of strategic KPIs includes:

- a. Ensure that there are enough KPIs for each action and that they measure the most relevant aspect of that action, the one most susceptible and sensitive to minor changes in the implementing process

b. Limit the number of KPIs and retain only the most significant strategic ones, whilst sending the rest to the tactical set of KPIs. Only in this way the management can analyse the most important developments and, if need be, request additional information offered via the tactical KPI

c. The KPIs set should include leading as well as lagging indicators

d. In a company having a complex structures, with many interconnected modules, there are interconnectivity KPIs that should take into account that a given flow, consumption or composition must not be as high or as low as possible since at this level it may affect gravely the relations among company's modules.

2.6. CSR in TheCompany Formalized Strategy. First, include CSR in the current Company Mission / Vision and Values, then, identify where CSR fits in the existing company strategy and how this strategy should be updated. In authors' experience, this can be down most straightforwardly by using the Balanced Scorecard Strategic Management Tool, widely recognized at global level (Danubianu and Teodorescu, 2016), adapted to the triple bottom line of sustainable development.

The result is presented in Fig. 2.

		<i>Company's Mission/Vision/Values</i>		
<i>Strategic Perspectives</i>	<i>Financial Perspective</i>	Increase Company Market Value Diversify income sources	Green Business	Benefits from CSR
	<i>Stakeholders</i>	Mobilize all value chain units to share same CSR ideas Customer satisfaction	Green Procurement CSR Marketing	Cause promotion Philanthropy Stakeholders in the decision process
	<i>Internal Processes</i>	Cleaner production, QMS Change and Innovation	Product Stewardship	Employees' satisfaction
	<i>Learning&Growth</i>	Lifelong Learning, including CSR	Environmental Awareness.	Volunteering
		<i>Economic</i>	<i>Environment</i>	<i>Social</i>
<i>3 pillars of Sustainable Development</i>				

Fig.2.Updating Strategic Map of the Company with CSR elements.

The CSR contribution to the strategic objectives of the company goes beyond the social dimension of the triple bottom line approach for sustainability - examples:

- a. Green business includes CSR components (changes in company portfolio, collaboration with other stakeholders respecting CSR framework)
- b. CSR marketing should promote those products known for they reduced environmental aggressiveness
- c. Product Stewardship. Company must follow the use and fate of all its products well beyond company's fences, throughout the life cycle of each product (Teodorescu et al, 2011);
- d. Lifelong Learning, including CSR means that employees and managers should acquire not only information about the technology or the products of the company but also become aware of their relations with CSR framework.

Conclusions

Adopting the dimension of CSR to the company business horizon is not an activity that takes several months. It is a continuous process, and its dynamics is comparable to that of environmental awareness of technical best practices. During the implementation of CSR at company level, the first set of results – to be completed by further developments in the coming years includes:

- The Company has acquired the expertise in a new domain – CSR and there are many company's employees that has got the know-how for future CSR actions.
- The company and its stakeholders constitute a TEAM which members have learnt to work together, understand each other and share the same CSR values. Again, the set of stakeholders is in a continual adaptation, depending of the company evolution and of the business environment realities.
- Putting CSR at work should be a process very similar to many other similar processes already experienced by the company (devise Action Plans, allocate resources, nominate responsible, monitor progress, take corrective actions, etc.) and this constitutes a big advantage for company's managers. They are not faced to completely new procedures and tools. Devising a Project Advisory Board should help and ease the CSR implementation.
- The formal set of documents issued during CSR implementation is very similar to the set of formal documents and procedures issued for the Quality and Environmental Management System.
- CSR actions should be carried out by a large cooperation among all stakeholders.
- Every organization should endorse the CSR values as CSR should not be applied to business units.

The procedure illustrated here has been applied to Romanian Companies active in the municipal service sector.

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