



# **Corporate Social Responsibility and Society**

## **Seminar Report**

March 18 – 20, 2011

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Susai Mountain Resort, Romania

*The Seminar offered participants the opportunity to see how companies manage the business processes to produce an overall positive impact on society and how do companies show the quality of their management in terms of people and processes and in terms of their impact on society in various areas. The Seminar also looked at how companies value their decisions in regards to their ethical responsibilities and whether there are ethical decisions behind them. Also, looking at the business-government relation, participants will discuss the influence of CSR policies to Government policy making, collaboration and new opportunities in this relation. Other questions relate to the introduction of public interest into corporate decision making and what is and should be the actual role of corporations in the public sphere.*

The relevance of corporate social responsibility (CSR) is increasing nowadays, as companies need to be responsive to the interests and concerns of an ever larger number of **stakeholders**, rather than just to their limited number of shareholders. Globalization of interactions has triggered a closer and more immediate relation between companies, on the one hand, and society at large and its individual components (civil society, government, other companies, individuals etc), on the other hand. As these mutually influence each other through a complex web of actions and connections, companies cannot deny or evade their role as active forces in **shaping society**, rather than just participating in it.

### Stakeholders and social contribution of a company

Hence, corporate responsibility is transforming into **social citizenship** - and with this comes the associate mission of creating a better environment, beneficial both for companies' business development

(creating the market they want), and for the overall growth of society.



As 'good society' can only be defined through a balanced distribution of contributions among its members, a company cannot make "**positive**" profit in an unbalanced society. This leads to a shared responsibility of the state, business sector and communities. Companies should therefore share their profit with the community in which they operate, but should also instill in these communities a more significant involvement and personal responsibility.

This is even more the case in **dysfunctional societies**, where the role of companies is also to contribute to a change in mentalities. This can be done through promoting a model of active involvement and charity, but also, given the corporate culture of entrepreneurship, through taking the initiative in long-term endeavors aimed at systemic change, in which it should take the lead in involving other actors. When the shared responsibility fails and when companies and their stakeholders fail in achieving their common goals, the CSR of a company fails as well.

The first step toward fulfilling the societal mission of a company is to identify what its most important stakeholders are – otherwise, overspread of resources and trying to get involved in too many different fields creates little or no real effect on communities.



**Radu Enache**, Country Manager, Hewlett Packard

Too often, however, **stakeholders are not treated as partners**, and therefore they do not take their share of responsibility for this joint action, contenting themselves in solely being beneficiaries. In this case, CSR becomes a funding opportunity for personal projects.

### Smart business or charity?

CSR is **only efficient when closely linked to the company's core business** – that of being profitable and making money. If social projects don't make business sense for the company, they will most likely not be able to mobilize internal resources efficiently enough and in the long run, to produce the expected impact.

Far from colliding with the theories which maintain that the business of business is business (namely, making profit), CSR can serve as an additional tool in this sense, while also creating positive spin-off to society. Projects initiated with such purpose can help **manage needs which companies have** and become very good **risk management tools**, different from charity.

At the same time though, CSR is not necessarily about making money, but rather about not losing profit, which might make it a **customer-centric** theory. CSR would therefore be “smart business”.



**Doru Mitrana**, Executive Director, MaiMultVerde

Moreover, while NGOs might be the entities of choice when it comes to setting up and managing **social entrepreneurship** initiatives, companies' corporate social responsibility can make a significant

contribution to creating the necessary environment for social entrepreneurship initiatives to grow. They could also finance start-ups in this field. In so doing, one additional benefit could also be fostering cooperation between NGOs and companies, and helping add business approach and cost-benefit awareness to NGO operations. It would also inform civil society with knowledge of companies' approach and promote better mutual understanding between the two sectors.

Apart from external motivations and benefits, one major field of relevance for CSR is internal – more precisely, a company's **employees**. As described above, corporate social responsibility does not drive direct profit – but it can make a very meaningful contribution to indirect profit. In this sense, better motivated employees are generally more prone to deliver successfully on their targets, and that gives the company yet another competitive advantage. CSR can therefore start within the company, both by addressing issues related to labor conditions and by tackling social responsibility areas of particular interest for employees.

### **The Romanian context**

Unfortunately, CSR mostly offers profit to companies in developed societies. In Romania, there is little real benefit for those who engage in such initiatives. In this particular context, such engagement on the part of companies can be seen as genuine responsibility toward communities, which creates a better socio-economic environment. In developed economies, this would normally further translate into better opportunities for increased consumption for customers. In Romania however, in most

cases, this logic does not necessarily function automatically.

Also, there is a huge mismatch between large companies, which have an international allure and resources, and local companies, which are less open to CSR projects. The number of small and medium companies becoming involved in community projects falls short of actual necessities.



Overall, Romanian CSR environment is rather weak in forecasting solutions for the future. Also, little competition exists on the CSR market, as companies can easily “get away” without implementing such policies. The social and public environments do not perceive the CSR of various Romanian corporations as real social responsibility and, therefore, the impact on consumers is low – as well as profits correlated with CSR.

Companies which promote real substantive CSR activities in Romania need to **better communicate** their initiatives to the public, to counter public mistrust. There are several forums and non-profit organizations in Romania that recognize CSR projects, yet these events are still of **low profile** for the general public. Part of this perception is influenced negatively by poor communication, while part of it is a

reflection of the objective reality of the reduced number of real CSR projects.

In view of both challenges identified above, one possible solution would be for **NGOs to take a stronger stand** against companies that either have no CSR at all or publicize various self-serving forms of apparent, improper involvement in society as CSR - thus distorting (as has already happened) the very notion of corporate social responsibility in Romania. Currently, both the general public and NGOs are mostly passive in this respect, and therefore have no leverage to sanction irresponsible behavior on the part of companies, or push for more consistent involvement of the business sector in society. The social responsibility environment therefore lacks a system of checks and balances.

### **NGOs - companies' partnerships**

Both NGOs and companies should also take a more cooperative approach, as proper CSR can only be done as **partnership between the two sectors**, if resources committed by companies are to be matched with accurately identified societal problems. NGOs should work more closely with companies' CSR projects to change public policies through common strategic and professional advocacy initiatives.

In so doing, NGOs would learn to translate better social action into a meaningful business plan. This would provide the kind of format for solid community-oriented initiatives which can gain the trust of companies and are financed as multiannual, long-term planning projects, of the type companies are used to.



**Florentin Scarlat**, External Affairs & Communications Manager, Merck Sharp & Dohme Romania

For the same purpose of evolving from small-scale, “patching up” attempts, to ambitious endeavors which can effect real systemic change, **partnerships are not only necessary between companies and NGOs, but also between state and companies, among NGOs and among companies themselves**. While reluctance of cooperating with more or less direct competitors has since marked CSR environment, the few but telling successful examples should serve as a lesson that major impact can only be achieved through pooling together of resources and can benefit all participants.

Partnerships between companies, the NGO sector and the state/public sector are crucial in the development of CSR and society at large. But to this end, **NGOs need to act as real equal partners**, not just direct beneficiaries. They should actively promote their projects with companies and attempt to incorporate them as much as possible into the CSR strategy of the latter, so they can secure solid, long term commitment.

In its turn, the state should pursue partnerships with companies and NGOs, as it seldom has all the necessary funds or specific knowledge, or the “on the ground”

type of activity that companies and NGOs have.

The three sectors mentioned (state, corporate, civil society) often have shared overall goals, yet very different approaches and means of achieving the respective objectives. Organizational culture, mindset and vision can also differ quite significantly. Therefore, only sustained dialogue can progressively lead to a harmonization of all of the above, and hence to successful projects, whereas records show a large number of projects fail precisely because they would have required a common approach, which was not secured.

To the above, another sector should be added, which should provide a basis which is fundamental to corporate social responsibility projects. Academia can alone ensure the fundament to valid strategies, from a neutral, objective and informed viewpoint. If the **contribution to society is to be durable and bring real added value, then it should be based on scientific research.** Although many companies also have in-house capabilities for research and studies, it will suffer from inevitable limitations of bias and commercial considerations, which can only be compensated by structured academic input.

### **Corporate Public Policy**

One such extremely important sector where companies and civil society could together exert significant positive influence is policy-making – **supplementing the state**, particularly in circumstances where the latter has a limited capacity to fulfill this function.

The corporate sector, in conjunction with the civil sector, can improve the policy agenda

through a series of regulatory frameworks for public-private partnerships that create accountability for all parties involved, pertaining that a friendly tax environment exists as well, as incentive. Advocacy associations between the corporate and the civil sector in promoting various policy topics should present a roadmap. Also, another solution for addressing policy issues can be found in the state externalization to NGOs or NGOs-companies partnerships of various services and policy formulations.

Unfortunately, companies and NGOs are not working enough together, or even separately, in approaching the state in a constructive and pro-active manner. Within a large part of the civil society, there is a sense of self-sufficiency in addressing public policies, as creating or changing such policies looks like too distant and difficult a goal. In the case of companies, such an approach is very often blocked by the legal uncertainty that prevents almost all companies from getting involved in “corporate public policy”.

In a socio-economic environment in which there is strong lack of trust, cooperation and experience-sharing among the state, corporate sector and NGOs, the role of moderator could be played by EU structures. Structural and cohesion funds provide enhanced opportunities for cooperation towards mutual goals and encourage cooperative approaches. At the same time, if corporate and civil society “lobby” for policies at national level has reduced chances for success, such initiatives could instead be promoted at EU level, where the process is transparent and – in some ways – more straightforward, despite the encumbrance of specific bureaucracy.



**Epsica Chiru**, Deputy General Manager  
Apa Nova Bucuresti

Also, corporations could take on a more important role in economic and political systems plagued by corruption, lack of professionalism or other major socio-economic problems – such as is the case in developing societies or societies in transition to a free, well-performing market. Again, the return on investment is indirect here, and comes from the capacity that companies thus exercise to shape the markets they activate in, and create a better operating environment for themselves, whose advantages will show in the long run. It is also true though, at the same time, that measuring the return on community investment to fill in the gaps where the state is less able to deliver is very difficult to calculate.

It would be good for companies to also allocate more resources for compliance with ethical standards within their own organization, in less developed societies, where ethics is a pressing issue. A strong values-based company can also become a model of civility in a society through its own standards and employee behavior.

At the same time, one of the most important tools of CSR is **“educating” the supply chain** which each company has. Companies

can impose standards on their suppliers, yet they cannot guarantee the continuity of ethical behavior of the latter. One measure that could be taken to tackle this is to enforce compliance with rules before signing the contracts. Other instruments would be a long-term commitment to educating the supply chain and downstream/upstream chains.

Another key area of intervention for CSR is environment, where investment, particularly given EU rules and incentives, increasingly brings benefits to both companies and environment. Reducing costs and bringing in innovation decreases running costs in the long run, while waste management reduces taxes.

## General conclusions<sup>1</sup>

In Romania, companies lack focus in their CSR policies and often spread their resources across a relatively large number of smaller problems and issues to be addressed in society. One solution to improve this situation could be to focus on a smaller number of CSR areas instead and create long-term projects, in partnership with the state and civil society. Equally important, cooperation among corporations should become an important element in creating societal change.

When it comes to corporate to corporate cooperation, there are however a number of challenges to be overcome jointly. Among these, we can count a different understanding of what CSR is and is not; a decision-making process which is often too complex to be efficient; reluctance to cooperate with direct competitors and also difficulties in creating an internal common understanding of corporate cooperation in a highly competitive environment.

To deal with these, experience of successful projects indicates the necessity for creating a CSR framework for cooperation, a very good level of peer to peer personal relations among all levels of CSR departments, identifying common CSR goals and building flexibility and trust.

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<sup>1</sup> An Aspen Institute debate is a place for non-partisan, informal and open exchange. This report is written from the perspective of an informed observer at the Seminar. Unless attributed to a particular person, none of the comments or ideas contained in this report should be taken as embodying the views or carrying the endorsement of any specific participant at the conference.

**“Corporate Social Responsibility and Society”**

**List of Participants**

**Daniel Anghel**

Partner  
Indirect Tax Department  
PricewaterhouseCoopers

**Tincuta Baltag**

Executive Director  
Fundatia Dinu Patriciu

**Maria Besnea**

Social Affairs Expert  
OMV Petrom SA

**Dragos Bucurenci**

President of MaiMultVerde

**Ana Bulgar**

Online Communication Manager  
OMV Petrom SA

**Epsica Chiru**

Deputy General Manger  
Apa Nova Bucuresti

**Mircea Cucu**

Internal Communication Director  
Romanian Post

**Stefan Darabus**

Executive Director  
HHC Romania

**Katrina Destree**

Office of Sustainability and CSR  
Alcatel-Lucent Bell, Belgium

**Narcisa Dinescu**

PR Specialist  
Enel Romania

**Radu Enache**

Country Manager  
Hewlett Packard

**Cristian Ghinea**

Executive Director  
Romanian Centre for European Policies

**Doru Mitrana**

Executive Director  
MaiMultVerde

**Anda Rojanschi**

Partner  
D&B David si Baias

**Florentin Scarlat**

External Affairs & Communications  
Manager,  
Merck Sharp & Dohme Romania

**Ioana Szatmari**

CSR Program Coordinator,  
Community Relations Association (ARC  
Romania)

**Alina Tudor**

Corporate Programs Team Leader  
OMV Petrom SA

**Corina Vasile**

Senior Director Communication and PR  
Raiffeisen Bank

**Roxana Voicu-Dorobantu**

Lecturer  
Bucharest Academy of Economic Science