

STUDY ON THE IDENTIFICATION OF RESPONSIBLE CORPORATE COMPANY PROFILE

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Abstract:

Over time, companies have seen both responsibilities assigned meanings and perspectives. A broad approach aimed at four types of responsibilities that companies have towards society as a whole: economic responsibilities, legal, ethical and philanthropic. Although at first, the focus was more on economic and legal dimensions of corporate responsibility in recent years, an important aspect presents ethical and philanthropic obligations, which began to grow, both in terms of discussion, and how pragmatic. Based on the four dimensions of corporate responsibility - economic size, legal size, the size of ethics and philanthropic dimension - and considering factors that characterize each dimension separately, as identified by literature, still resort - empirical studies - to identifying company profile considered in our view, the most responsible corporate point of view, currently our country.

Key words: *corporate responsibility, economic responsibility, legal responsibility, ethical responsibility, philanthropic responsibility*

JEL: *G34, G38, M48, N40*

1. Introduction

Since the 90s, is considered (Carroll, 1991, pp. 39-48) a form of a pyramid scheme, which should be based on economic size and the top philanthropic size, would best play the importance and scope of coverage of every dimension of corporate responsibility within a company. In other words, the orders of priority starting with economic issues, transiting through legal and ethical issues, because ultimately reach philanthropic matters. This is the sense by which we are guided in empirical studies. *The economic responsibility* is synonymous with the term “*Profit*” and is based on the other three categories of responsibilities, knowing that the profit is both a means and an end of existence and effective functioning of a company. *The legal responsibility* falls imperative “*Respect the law!*” and its components are: to act according to legal requirements, to meet national and international regulations, to carry out the objects of compliance with legal requirements. *The ethical responsibility* is associated with the slogan: “*Be ethical!*” and is considering fairness for all stakeholders. Among the ethical components of CSR, find: to act in accordance with moral norms, it recognizes that corporate integrity and ethical behavior involves the assumption of higher duties compliance with regulations. In top of the pyramid of corporate social responsibility is *the discretionary or philanthropic responsibility*, characterized by the expression: “*Be a good corporate citizen!*” Obligations undertaken by companies in this direction are purely voluntary, and their ownership decision is guided by the desire of companies to engage in social action and involvement which proves to be a win-win solution for both the company and society as a whole.

The organizational theory shows that, over time, the focus was especially on the first two types of responsibilities (*economic and legal*) that were placed, moreover, at

the bottom CSR. Thereafter, it was necessary *ethical obligations and discretionary CSR* area complete response to changes in the value systems of all categories of stakeholders and to meet the demands of increasingly competitive business environment.

Consequently, when making a comparison between CSR and the Pyramid of Maslow pyramid, we see that the same position as *ethical responsibility* and “*the need of esteem, status, respect*” in Maslow's Pyramid. Therefore, within a company, *economic and legal responsibilities* can be assumed (as are considered “physiological needs, security and belonging” in Maslow's Pyramid) and *socially responsible* corporate practices certainly should face and to philanthropy equivalent to “*self-actualization*” in Maslow's pyramid. Next, try to capture the best theoretical and practical aspects characterizing each dimension separately. In addition, it should be noted that the four types of responsibility are not mutually exclusive, as any act or practice of a company may be based on reasons simultaneously economic, legal, ethical and philanthropic, one of the four dimensions were predominant in a situation in a given context (Iamandi, 2010, p. 31). To characterize, in terms of virtually every dimension of corporate responsibility in part (the areas of the companies forming the sample studied), we used *the methods of descriptive statistics* (frequencies of occurrence and association - Crosstabs) using statistical software SPSS 19.0 (Jaba et. al., 2004).

2. Identifying the Company Profile in terms of Corporate Responsibility

Given the four dimensions of corporate responsibility - *economic size, legal size, dimension and size philanthropic ethics* - and considering factors that characterize each dimension separately, as identified by literature, still resort - *empirical studies* - to identify company profile considered in our view, the most responsible corporate point of view. With this approach want to answer **Hypothesis**: *Can outline a profile of the company responsible, given the size and scope of corporate activity.*

The empirical study is done on a sample of the top 40 multinational companies operating in Romania, *according to the budget for social activities* (social activities carried out in Romania) in 2010-2011. Study sample was divided according to the activity of the companies in two variants, a variant involving classification areas: *Trade, Services and Production* (field of activity 1) and another variant, more analytical, against which we consider the following areas: *IT and Telecommunications, Services, TCM, Manufacturing industry, Construction, Sales, Energy, Oil and Chemical-Pharmaceutical* (field of activity 2). Field of activity 1, the largest share is held by the manufacturing industry (42.5%), somewhat close to services (40%). If we analyze the breakdown of industries 2, we find that the largest share in services is owned by financial services (22.5%). For a clearer interpretation, further recourse to analyze the factors that characterize each dimension of corporate responsibility, in association with the industry in which the companies. Analysis and factors with the industry association is possible by using tables *association (Crosstabs) used to present the relationship between two categorical variables*. In addition, some variables were transformed by combining these values into a smaller number of categories (the transformation of continuous numeric variables categorical variables, discrete) (Jaba, 2004, pp. 82-90). Qualitative variable: Field of Activity 1, taken into account for all assignments made, was defined as: 1-Trade, 2-Services and 3-Production.

The economic and financial dimension and determinant factors

The main dimension of corporate responsibility is *the economic and financial size*. This assertion is based on the fact that the main responsibility of the successful companies targeting the object of activity, meaning that, on the one hand, customer satisfaction, and on the other hand, profit. In our study, to characterize the economic and

financial dimension, we collected data from annual reports of companies in the sample relating to: *fixed assets, current assets, total liabilities, equity, net income, turnover and provisions*. The budget allocated data for various social activities (socially responsible investment) were collected from several sources: www.responsabilitatesociala.ro site as well as published CSR reports. Based on these data and financial analysis using specific methods (technical reports) we calculated the following rates: *Return on Equity (ROE), Return on Assets (ROA), Return on Business (ROB), Indebtedness (I) and Social Costs reported in Turnover (SC/T)*.

For a summary, we use the version table, which highlight the variables and their calculation (variable variables were transformed in quantitative/qualitative variables numerical/nominal/categorical, as shown in the table below).

Table no. 1 Presentation of categorical variables analyzed (I)

Symbol	Variable Description	Method of calculation	Description category
<i>ROE</i>	Return on Equity (2010 and 2011)	Profit/Equity	(-∞;0.33) ROE low; [0.33;0.66) ROE medium; [0.66; +∞) ROE high
<i>ROA</i>	Return on Assets (2010 and 2011)	Profit/Assets	(-∞;0.1) ROA low; [0.1;0.25) ROA medium; [0.25; +∞) ROA high
<i>ROB</i>	Return on Business (2010 and 2011)	Profit/Turnover	(-∞;0.1) ROB low; [0.1;0.25) ROB medium; [0.25; +∞) ROB high
<i>I</i>	Indebtedness (2010 and 2011)	Liability/Equity	(-∞;1) I high; [1;2) I medium; [2; +∞) I low
<i>SC/T</i>	Social Costs reported in Turnover (2010 and 2011)	Social Costs/Turnover	(-∞;0.0009] SC/T low; [0.0009;0.002) SC/T medium; [0.002; +∞) SC/T high

Source: own processing according to the variable in the database

The results show that we have a high *Return on Equity (ROE)* for both periods, only services (down, however). *Return on Assets (ROA)* has high levels but decreasing trend, also for services, compared with the production, dominated companies with low economic profitability for both periods studied. The field of services has a higher level of *Return on Business (ROB)* in the period compared to the fields of trade and production. The situation is less favorable in 2011 than in 2010. We remind that in services, a significant share is held by financial services. The situation is understandable, given the crisis crossed by companies. Besides profitability indicators, an important indicator to be considered in analyzing a company's performance refers to *Indebtedness (I)*. Among leverage, we stopped the financial leverage ratio, which reflects the company's financial autonomy. The results obtained show that the most indebted companies of the sample are, however, most of the services for the period under study. Taking into account that profitability indicators registered positive for services compared to other areas (especially the production), we deduce, in a first phase, the acquired resources are used effectively in this sector. However, a problem is financial leverage: we should not ignore the implications average interest rate on the ROE.

A final indicator considered to characterize the economic and financial size of the company responsible envisages the share of *Social Costs reported in Turnover (SC/T)*, the fields, in the analyzed period. On first examination, we see that the share of expenditure on various social responsible investment turnover for service sector growing period. Note that it is only an apparent increase because the budget for social action remains approximately constant, but decreases turnover, on average, the services sector and this change results in increased (apparent) indicator.

The economic dimension of CSR should be supported by any responsible company and legal size, which we do next.

Aspects of legal dimension

As mentioned previously, *the legal responsibility* covered imperative “*Respect the Law!*” and is correlated directly with economic responsibility. To characterize this dimension, we considered four qualitative variables that influence, directly or indirectly, this type of responsibility. These are: *scandals/disputes/fraud* involving companies (most have occurred because people “outlaws”), *litigation* in which companies were involved (there may be litigation in which the company is innocent, but less transparent reporting allowed us not hold all the information), *the opinion* given by the auditor in the audit report and matters affecting *environmental* standards. Data for these variables were collected through documentary analysis from various sources, namely media (for scandals/disputes/fraud), the notes to the annual financial statements or reports of disputes (for litigation), audit reports (for the auditor's opinion), company websites, corporate responsibility reports or sustainability (environmental protection). The table below shows the variables, their meaning and description of categories.

Table no. 2 Presentation of categorical variables analyzed (II)

Variable	Significance	Description category
<i>Sca/Fra</i>	Scandals/Disputes/Frauds (2010 and 2011)	0-Nonexistent; 1-1,2,3 conflicts
<i>Lit</i>	Involved in various litigation (2010 and 2011)	0-Non-Involvement; 1-Involvement
<i>Aud Op</i>	Auditor’s opinion (2010 and 2011)	0-ned, 1-WR; 2-WR EP; 3-R
<i>Env Prot</i>	Standards, statements and environmental protection measures	0-nothing; 1-ISO 14001; 2-Statement site; 3-Variou Measures

Source: own processing according to the variable in the database

The results show that trade caused the least scandals or conflicts encountered in services is kept constant from one period to another and in the production are increasing. *What are the scandals/conflicts most common?* In cases encountered prevalent recurrent changes in the leadership of the reason involved in various litigation (BRS-GSC SA, Germanos Telecom Romania SA, Zentiva SA), conflicts between major shareholders, followed by delisting from the stock exchange (A&D Pharma SA, Zentiva SA) or even cases who completed suicide principal shareholder (Carpatcement Holding SA). Involvement in the dispute remains constant for trade and production companies from one period to another, but increases for companies operating in services. We should not necessarily interpret this as a negative as it can be about various disputes involving financial services companies to recover debts. Regarding environmental standards, some companies have implemented environmental management system ISO 14001 (tied fields and production services). In addition, the various environmental protection measures, most companies are involved in services and those of the production have a strength in words, meaning that states the company's website that complies with environmental legislation or engage in various acts of this kind (examples: reducing carbon dioxide emissions – JTI Romania, reduce dust emissions – Carpatcement Holding SA, energy efficiency – Siveco Romania SA). To characterize the legal dimension of corporate responsibility, we considered that the financial auditor's opinion is an important variable. To the financial statements ended December 31, 2011, is not opinion with reserves. Only the production, I encountered a situation where the auditor's opinion contains a paragraph of observations (JTI Romania SA). However, the situation is not necessarily true because many companies have published the auditor's report on the individual financial statements, but only at group level. However, we appreciate greater transparency regarding reporting services.

An important dimension of corporate responsibility is considering business ethics and its influencing factors, aspects which we present below.

Ethical dimensions and determinants

The ethical responsibility is associated with the slogan: “*Be ethical!*” and is considering fairness for all stakeholders. Characterized by factors as diverse and subjective at the same time, it is difficult to outline a responsible company profile ethically. However, in our study we tried to define a number of variables considered, in our opinion, relevant to characterize the ethical dimension of corporate responsibility. For this purpose, we address issues relating to: the administration and independent members of the Board of Directors or advisory committees (the variables as: *management system is single or dual, the president is also the general manager or not or not committees advisory*), *corporate governance codes and codes of ethics* (nonexistent own or group), *who are the most important stakeholders for companies*, and *transparency in reporting CSR* matters affecting somewhat respect for stakeholders in terms of information.

The table below shows the qualitative variables, significance and description of related categories. Source of data collected consists mainly of corporate websites in the sample, where we downloaded documents, such as corporate governance codes, codes of ethics, corporate responsibility reports, and reports of boards of directors.

Table no. 3 Presentation of categorical variables analyzed (III)

Variables	Significance	Description category
<i>Pres CEO</i>	President-same CEO (2010 and 2011)	0-Non; 1-Yes
<i>CG_Code</i>	Code of Corporate Governance (2010 and 2011)	0-unrep; 1-Own Code of CG; 2-Group Code of CG; 3-BSE-Code of CG
<i>Et_Code</i>	Code of Ethics (2010 and 2011)	0- Only mission CSR site; 1- Own ethical code; 2- Mission, values, vision website
<i>Stake</i>	The most important stakeholders	1- Employees; 2- Customer; 3- Shareholders
<i>Ind Com</i>	Independent committees	0-Non; 1-Yes
<i>Mg Sys</i>	Management system	0-Unitary; 1-Two-tier
<i>Transp</i>	Transparency in CSR reporting	0- CSR information site only; 1- Details on the company's website; 2- CSR report according to GRI

Source: own processing according to the variable in the database

The results highlight the extent to which the executive director of a company is *the same as Chairman of the Board*. We consider a weakness of a company that, because the act of supervision is absent in this case. The literature confirms this (Slater, 2009, pp. 473-489). See that things are about the same for companies in the fields of production and services. In contrast, the existence of *independent committees and administration two-tier* services companies are ranked first. Another aspect concerns the ethical dimension of corporate responsibility we considered is *the existence of codes of governance and ethical codes* that documents meet corporate value systems. It is noted again that the service is ranked the best on this criterion: best rates for CG codes and their ethical codes. The weakness of the production companies they represent and that often they do not say is code GC. Recent factors that influence ethical dimension we considered most important stakeholders concerns and transparency of corporate reporting on CSR. Regarding the most important stakeholders, the resulting situation for the companies in the sample studied is as follows: the most important services provided to employees, and fields of production and trade customers located first. The situation highlights the fact that only pays particular attention to services and shareholders. The situation could be explained if we consider that the sample, there is a high leverage level

and therefore its own funding (from shareholders) low. Regarding transparency in CSR reporting based study, we found that only a few companies prepare and publish corporate responsibility reports in accordance with GRI standards. Service sector is first and to this criterion.

Dimension of the pyramid CSR associated with self-realization of Maslow's pyramid, the philanthropic dimension, whose characteristics are described below.

Typical aspects philanthropic dimension

Discretionary or philanthropic responsibility lies at the top CSR is characterized by the expression: “*Be a good corporate citizen!*” Components that define the philanthropic responsibility considering the contribution that company can make to the areas of interest such as: *education, culture, environment, social, human rights and sport*. Variables that characterize this dimension are summarized in the table below and consider: whether or not a CSR division within the company, the number of social projects initiated in the two periods considered the budget for such social activities as well and involvement in areas of interest listed. The main source of data attached to these variables is the site www.responsabilitatesociala.ro.

Table no. 4 Presentation of categorical variables analyzed (IV)

Variable	Significance	Description category
<i>Div_CSR</i>	Division CSR	0-Non exist; 1-Exist
<i>Pr_CSR</i>	Number of CSR projects (2010 and 2011)	(0;3] Pr_CSR small; (3;7] Pr_CSR medium; (7, +∞) Pr_CSR large
<i>Soc_Bud</i>	Budget allocated for social action (2010 and 2011)	(0;500.000 lei] Soc_Bud low; (500.000 lei;3.000.000 lei) Soc_Bud medium; [3.000.000; +∞) Soc_Bud high
<i>Educat</i>	Involvement in Education	0-Non; 1-Yes
<i>Cult</i>	Involvement in Culture	0-Non; 1-Yes
<i>Med</i>	Involvement in Environmental Protection	0-Non; 1-Yes
<i>Soc</i>	Involvement in social	0-Non; 1-Yes
<i>Hu_righ</i>	Involvement in human rights	0-Non; 1-Yes
<i>Sport</i>	Involvement in sport	0-Non; 1-Yes

Source: own processing according to the variable in the database

As with the other dimensions of CSR resort to association between variables analyzed and scope of companies included in the sample. From this study, we found that many companies have established CSR divisions dealing only with size philanthropic activities related to corporate responsibility. Thus, the sample studied, it appears that outweighs all services in this area. The results show that there are changes in the number of social projects in three categories (small, medium, large), but overall, their number remains somewhat constant. This is reinforced by the fact that the budget for social action also remains constant. It follows, therefore, that the amounts allocated to different social actions in the two periods analyzed, the fields remain somewhat constant. Calculated statistical averages show that there is an increase, but insignificant, both in services (approximately 6%) and the total analyzed sample (approximately 3%). Analysis gives extent companies involved in areas of interest such as education, culture, environment, social, human rights and Sport to highlight the scope of the various activities involved in socially responsible. The results reveal that determined in Education were involved 92.5% of companies are the most active in services (40%). Involvement in acts of culture is characteristic all companies in the same sector of activity (more than half of the companies involved in acts of culture - 55%, of which 32.5% are in services companies). Areas of interest: environmental protection and social are also areas where the companies included in the sample studied were more involved

in the analyzed period. Thus, 82.5% of companies were involved in environmental actions (35% is the percentage of companies in the services sector), and 92.5% were involved in social activities, fields and production services holding equal percentage (37.5%). In the category of philanthropy in social discrimination includes actions to various actions in health and other social activities that do not fall into any of the other fields. If the nature of philanthropy involvement in sport involves 47.5% of the companies included in the sample (of which, 25% in services), only 12.5% of the companies follow through their philanthropic actions, field of interest: human rights. However, it should be noted that the borders: the social and human rights are more difficult to perform and thus it is possible that some socially responsible actions of nature protection of human rights have been assigned social actions. The presentation associations of industries and socially responsible actions, we can establish a hierarchy of areas of concern, according to the percentages recorded on fields. We present this in the table below.

Table no. 5 Overview of involvement in socially responsible actions on fields

Socially responsible actions on areas of interest / field of activity	Trade (%)	Services (%)	Production (%)	Total (%)
<i>Education</i>	17,5	40	35	92,5
<i>Culture</i>	5	32,5	17,5	55
<i>Environment</i>	15	35	32,5	82,5
<i>Social</i>	17,5	37,5	37,5	92,5
<i>Human Rights</i>	2,5	7,5	2,5	12,5
<i>Sport</i>	7,5	25	15	47,5

Source: own processing according to the variable in the database

Seen from the above table that the percentage areas of interest: education and social are on top and have equal weight (92.5%). Next, in order, the fields of environmental protection (82.5%), sports (47.5%) and human rights (12.5%). If we try to aggregate sizes listed in columns, we see once again that the highest score is owned by services, most companies in this sector are involved in socially responsible actions.

Conclusions

Given the analytical approach previously traveled to meet hypothesis can sketch a profile of the company responsible, given the size and scope of corporate activity, try to summarize the results of interpretations, so that outline responsible company profile, in terms corporate view, the analyzed sample period considered (2010-2011). Corporate responsible company operates in the services sector, in particular, financial services. elated to economic and financial dimension, the company responsible in terms of corporate financial records high economic performance compared with firms in the production or trade (higher rates of return), but has a declining financial autonomy (degree of indebtedness growth). On the legal dimension, the company is committed to responsible corporate scandals/fewer conflicts than the production companies, but disputes which are less numerous. In addition, the company has several measures in environmental protection and the auditor's opinion is usually unqualified. In terms of ethics, the management system of the company is mainly responsible corporate tier, the services of advisory committees and the president is usually different from the Executive Director. Governance system and value system based on governance and ethical codes of their own. The most important stakeholders for this company are employees, and transparency in CSR reporting is provided by publishing corporate responsibility reports in accordance with GRI standards. Relative to the dimension philanthropic, corporate responsible company has established the CSR Division and the

number of projects for socially responsible action and budget for such actions remain approximately constant. Areas of interest in which is involved the most are: education, social and environmental. In conclusion, the above results support the hypothesis: *One can sketch a profile of the company responsible, given the size and scope of corporate activity in the sample analyzed for the period considered.* Some comments are necessary, however. An analysis of study results, we see that in a period characterized by recession, most companies involved in socially responsible actions are in services, particularly financial services. This could be interpreted in at least two perspectives. First, involvement in community affairs of companies in the financial services sector could be seen as an opportunity to rehabilitate the corporate image in all categories of stakeholders, as is the sector which has caused somewhat current financial crisis. On the other hand, there are companies that have allowed financial point of view to be more involved in socially responsible actions or, at least, to keep the budget for social activities at the same level (results of the study confirm this). In addition, results from this study that the most important stakeholders are employees responsible companies, which confirms the statements found in the literature (Hansen, 2010, pp.102-105; Turker, 2009, p. 193; Johansen, 2008, pp. 544-571), n that, in times of crisis, one of the solutions that can call a company to survive in the business represents particular attention to be given to human resources.

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