

PERFORMANCE INDICATORS IN CSR IN ROMANIA - A LINK TO THE GREEN ECONOMY

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Abstract:

CSR (Corporate Social Responsibility) has become a debated subject for public authorities, and also for private companies in the recent years especially as solution to overcome the financial crisis. We seek to create a preoccupation for this domain in Romania, by attracting the public opinion in promoting this concept. As a new concept for Romania, the CSR is a new vision implemented by companies which want to show more to their clients and to the society. These companies are willing to develop their business objectives around activities that support the environment and the society as a new trend in economic activity.

The aim of this study is to explain the results of CSR indicators in Romania in the last years and to show the connection between these indicators and the green economy.

Key words: CSR, indicator, performance, social responsibility, sustainable development.

JEL classification: D64, F64, G34, M14

Introduction

The Green Economy is a new vision based on new production forces, on the development of human culture and a redefined nature of wealth that focuses on quality. Actual development in a society revolves around the concepts of individual, community and ecology, terms that were excluded or suppressed in the last century. Specialist Brian Milani is the promoter of the idea of change from the individual to the collective spirituality, awareness, social responsibility renewal and he presents in his book, designing the Green Economy, the qualitative potential for development in economic life. He links this economic development with sustainability and with social responsibility.

The CSR concept was born in the late 1960s and it described an organization activity that had a certain impact. Some specialists brought critics regarding this subject at that time because they thought that the profit of the companies would be threatened by investment in CSR and others promoted it because they believed that the true essence of economy was related to sustainable development and to social concern.

As we can see, the CSR concept is related to domains that are concerned with the environment protection and to sustainable development. Romania is an interesting country in what concerns social development and social responsibility. This new vision is at the beginning of the road, but after Romania's adherence to the European Union, we can state that there has been an improvement in domains such as renewable energy or waste management, organic products, sustainable development. In Romania, the most common areas for CSR are education, welfare, environment and sports.

It is necessary to visualize that the business environment is connected to the society, and in order to obtain better results in economy, we have to promote a responsible behavior among the companies. The CSR concept was at the beginning a

vision created by companies, but now it is a way of thinking promoted by public authorities, governments and international associations.

As international institutions have realized that adopting CSR principles by companies will serve to the objectives of sustainable development, they created a frame in order to define this vision. They also established indicators that can measure the CSR activity to show a guide for the countries and for the companies' initiatives.

The CSR activity of a company along with the environment protection are believed to be solutions for the organizations to overcome the financial continuous crisis, so it is necessary to implement CSR among the practices of the public and private organizations.

A Perspective View over the CSR in Romania

The concept of CSR appeared for the first time in Romania in the 1990s when a lot of non-profit organizations began to promote it in the public and private environment. From 1990 to 2000, little initiatives in this domain have been presented and promoted. Very few companies implemented this new vision until 2000 and the society was not informed properly about the CSR.

In 2000, a lot of major reforms were taken by the government in order to join the European Union, reforms for technology and industry that protect the environment. These reforms and measures affected the companies and forced them to adjust their production and to implement programs for social responsibility.

After Romania's adherence to the European Union, the action of implementing CSR programs has developed among the private companies, especially the multinational ones that have transferred the know-how and the organizational culture from their parent company to their subsidiaries from Romania.

As regarding the legal framework, the government has adopted different decisions in domains such as environment protection, consumer behavior, employment and other areas that involve social protection. There haven't been adopted laws in CSR area, because of its volunteer character that suggests companies should respect the law in all the domains that protect the environment and suppose responsibility. The law directions in the CSR domain are the Council Resolution on the follow-up to the Green Paper on corporate social (2002/C 86/03) and the Council Resolution of 6 February 2003 on corporate social responsibility (2003/C 39/02)¹. These are directions for the states to follow in the CSR area.

In addition to the transfer of know-how and practices in Romania, there have developed a new type of companies, the ones that have the aim to be responsible in their field of action. The main areas of interest for these companies are: renewable energy, waste management, ecologic products and eco-tourism. These domains show a concern regarding the green economy as solution to overcome the economic crisis.

There are two approaches regarding the CSR in Romania; the first explains this concept based on commercial considerations, image and reputation for the company, and the second shows interest in community development and environmental welfare. The second approach is now the most used in establishing the practices of business and the goals for the companies. Although the companies have become interested in applying this new vision, there are a lot of companies that associate the CSR with donations, sponsorships and public relations activities. Only the large companies and the multinational companies have made the difference between philanthropy activities and the culture of responsible behavior.

The main indicators for this activity are the corporate social investment, the social audit, the methodology of corporate behavior and the environment reports. The

¹ *The Official Journal of the European Union*, <http://eur-lex.europa.eu>, accessed on 7th November 2012.

CSR concept is strongly implemented especially in large companies, multinational companies, but less in SMEs (Small and Medium Enterprises). This is not very good for the businesses, because the SMEs represent an important part in the economy of a state and the CSR is a main objective for the central business activity, because it adjusts according to the market evolution.

As an example of performance indicator, we can state the Green GDP (Gross Domestic Product), although there is little information regarding this indicator in Romania. Specialists in this area indicate that GDP ignores traditional environmental problems the societies face nowadays, as it directly measures market transactions without including the value of environmental and social values. GDP is often used to show how well a society works and evolving, and there is no other alternative to measure the ignored issues.

The Green GDP is the alternative indicator to link the welfare situation, the environment and the economy. There is a lot of research into this subject in order to harmonize a system using an indicator called Green GDP that reflects the real welfare situation related to environmental and economic activities. We shall explain this theory in the second chapter of this paper, where we shall talk about the Integrated Environmental and Economic Accounting domain.

Vision and Strategies towards CSR and Social Environmental Accounting

The United Nations published a set of guidelines in the book of National Accounting: Integrated Environmental and Economic Accounting (SEEA 1993 and SEEA 2003)², which provides a common framework for evaluating environmental contributions to savings environmental and economic impact. These efforts promote standardization of methodology and ideas using the concept of green GDP, by trying to put them into practice by companies as CSR solution.

Research in this area shows a concern in terms of identifying concrete indicators to measure the results of the practice green economy. This connection mentions the Eco-Management and Audit Scheme demonstrating a number of organizations certified by European Union continue growing. Many organizations have adopted the Regulation in Eco-Management and Audit Scheme (EMAS) that shows a preoccupation for improving the environmental management system. A relevant indicator shows that EMAS is an important tool for addressing the environmental dimension of enterprises with social responsibility. The goal is to improve environmental performance by promoting social responsibility among all companies. Even though certifications are still targets for all companies, it is worth to take into consideration the principles EMAS³.

The purpose of EMAS as an Eco-management Community states that in the context of sustainable development, environmental protection has become part of management. Sustainable consumption and production in the context of the Plan of Action for Sustainable Industrial Policy of the EMAS is a model (for organizations) that leads to the optimization of production processes, reduces environmental impact and creates an efficient use of resources⁴.

In the knowledge economy, is recognized need for new approaches to decision-making in order to support sustainable development initiatives. Are recognized increasingly more limits based approaches cost-benefit analysis as a tool to measure sustainable development on activity entities.

² United Nations Book, *Integrated Environmental and Economic Accounting*, Series F, no. 78, New York, 2000, ISBN 92-1-161431-7, pp. 24-39.

³ EMAS is a standard of environmental performance and it is implemented globally through environmental management systems.

⁴ *Industrial Action Plan for Sustainable Policy*, http://ec.europa.eu/environment/emas/index_en.htm, accessed on 7th November 2012.

The development of three dimensions (social, environmental and economic) and use the same global approach are, in our opinion, a responsive to the current needs of society.

Industries are becoming more aware of social and environmental obligations arising from transactions and social effects associated products.

Uncertainties in evaluating these financial effects can be characterized by using valuation techniques and environmental accounting. Green accounting help present social and environmental obligations as environmental costs.

In the article “Estimating the hidden costs of environmental regulation”, Joshi S. et al (2011)⁵ examines the extent to which independent accounting systems identify all costs of environmental protection regulations.

Based on an empirical study, authors suggest that poor identification of environmental costs affecting entities (approximately 90% of total costs are hidden costs) has a major impact disclosure socio-economic and environment required by law.

Trajectories interdisciplinary strategies combine economic, social and environmental, leading to sustainable development, a major objective of FP7⁶.

Triple Bottom Line Reporting (TBL) refers to a notion sizes designed to potentiate non-financial and non-accounting performance of an entity.

TBL concept focuses not only on economic value added but especially to the environmental and social values that create or destroy contrary. Strict sense of the TBL is used as a framework for measuring and reporting the performance of an entity on three dimensions: social, environmental and economic.

The social dimension is given to the impact on employees and the local economy by providing details of employees (sex, location, number, salary, holiday bonuses, dividends or interest paid) or information about payments made for goods and services received and place of their origin (national or local economy).

Environmental dimension has received more attention than the social dimension in recent years although many reports have been designed to help the public. To interest the reader about the environmental impact of business entity reports should contain comparative data to allow the public entity to extract the information provided by the entity relating to legislative requirements and industry averages achieved in that industry.

Economic dimension: Traditional accounting reports is still the most important part of TBL reporting. But we must emphasize that although much improved in recent years, financial reporting and accounting do not provide a range of financial information relating especially evaluation. Values still related to single digit, without strings of values through multidimensional aspect could provide more information, but that would be, however a higher bias.

Contribution transformation and reporting accounting information as TBL concept is to express a strategy in simple terms: an entity adds value to the short, medium and long term performance through effective management of economic, social and environmental, and also by creating the best opportunities with low risk; entity value not only develop, but opening three dimensions creates great benefits the community and the area in which it exists.

The TBL approach to accountability representation and analysis should be eliminated unilaterally outputs.

Accessing the TBL accounting is not looking for a new system of performance indicators expression, but rather a shift towards performance management and

⁵ Joshi S., Krishnan R., Lave L, *Estimating the Hidden Costs of Environmental Regulation*, The Accounting Review, vol.76, no.2: 171-198, 2011

⁶ *The Seventh Framework Programme*.

repositioning in order to strengthen the importance and interdependence of economic, social, an environmental.

In the broadest sense, TBL is a philosophy that directs corporate performance. Narrow, tactical concept refers to the measurement, management and reporting business performance beyond the financial dimension and perspective of an integrated vision of the entity, with clear evidence of economic, social and environmental.

What's new environmental accounting?

Added to the tax laws do not respect or to increase income per share, which are implicit, but to the laws and regulations on environmental protection.

In also introduces and build an information system to make known the nature of performance and counter-protection or, when applicable, ignorance and indifference towards environmental degradation.

Performance Indicators in CSR in Romania

In Romania, whose future is tied to the European Union, a policy is inconceivable without clear orientation towards environmental protection.

Romania has defined and completed management strategies relating to environmental protection and has begun the process of harmonization of environmental legislation based on EU requirements and integrated into world politics.

Thus, the performance indicators in CSR in Romania are very hard to define because this domain is at the beginning of the road and there are not certain ways of measurement of this concept development. Although, at global level, there are attempts to include the measurement of these indicators, in Romania the CSR is not implemented as a system. The main indicators we shall refer to are the standard ones, such as corporate social investment, the social audit, the corporate behavior and the environment reports. We shall also present the Green Business Index (GBI), the only free tool for assessing environmental responsibility in Romania, helping local companies to align the European Union's rules of CSR.

There are companies that offer information in order to identify the process of their implication in some activities of CSR, but they don't give reports with figures in order to measure their involvement. For example, The European Federation of Financial Analysts (EFFAS)⁷ chose in 2009 a set of 20 indicators that can be applied to all the companies, in spite of their area of interest. There were evaluated all the indicators that companies present as results and there were selected the ones that are relevant and applicable to all the companies. In this way, by having a bigger number of indicators that a company cannot report, the company is less involved in the CSR activity. If a company reports on a bigger number of indicators, it means that this company is active in implementing the CSR methodology.

In Romania, this set of indicators is not promoted in the companies and in the society because it is hard to define an indicator and to express it in numbers as companies do not give more information on this subject. So, the results we have for performance indicators in Romania consist in investment, audit, corporate behavior, companies' involvement and environment results that are expressed by few companies. Another perspective, we shall refer to is the lack of information in the field of indicators of measurement for green economy or sustainable development. There is no report regarding the connection between the indicators concerning the environment and the indicators that suggest performance indicators in the CSR. Without having an official report on Green GDP, it is hard to express some figures for measurement of activity in ecological field that is based on social responsibility.

⁷ The European Federation of Financial Analysts, <http://effas.net/>, accessed on 8th November 2012.

Regarding the indicators we mentioned above we shall make the top of the most involved companies in the CSR domain in 2011, companies that develop programs for sustainable development, so-called green companies. In realizing this top, there were taken into the account the investments, the internal audit, the corporate behavior, companies' involvement and environment results that were declared in the companies' annual reports, and also the impact of the green campaigns on society's perception.

Table 1

Top 10 of CSR Green Companies in 2011

Crt. No.	Company Name	Relevant information
1	Petrom	- Green CSR campaigns in energy field; - 18% in green awareness campaigns.
2	Cosmote	- Green CSR campaigns in communication field; - 10% in green awareness campaigns.
3	Vodafone	- Green CSR campaigns in communication field; - Almost 10% in green awareness campaigns.
4	Carrefour	- Green CSR campaigns in commerce field; - 8% in green awareness campaigns.
5	Coca-Cola	- Green CSR campaigns in beverage field; - Almost 8% in green awareness campaigns.
6	Rompetrol Company	- Green CSR campaigns in energy field; - 7% in green awareness campaigns.
7	Avon	- Green CSR campaigns in beauty products field; - Almost 7% in green awareness campaigns.
8	Orange	- Green CSR campaigns in communication field; - 6% in green awareness campaigns.
9	BCR	- Green CSR campaigns in banking field; - 4% in green awareness campaigns.
10	Mc Donald's	- Green CSR campaigns in fast-food restaurant field; - Almost 4% in green awareness campaigns.

Source: <http://www.revistabiz.ro>,
Accessed on 9th November 2012

As we can observe, the most involved company in CSR green activity is Petrom, a company which activates in the energy field. Other involved companies are the ones in the communication field, companies that have strong campaigns in CSR consciousness with impact on the society. In realizing this top, there have been taken into account the answers of 1111 persons, age between 20 and 60 years old, from the urban population. They were chosen to give answers regarding the impact of green campaigns towards the civil society.

Regarding the GBI, a tool for assessing environmental responsibility in Romania, the European Commission requires the companies that have more than 1000 employees to adopt the ISO 26000 standard from 2012. This quality management standard can be applied to all the organizations in all the countries and it contains guidelines on social responsibility practices and principles. The GBI becomes now the main instrument to control, to understand the environmental impact on society and to measure the welfare of the environment. By implementing the GBI, it is believed that the organizations shall improve their management and shall recover better from the economic crisis.

Conclusions

A national strategy in CSR domain should be built in Romania, because the lack of information and the absence of indicators to measure this activity have negative implications for both public and private organizations. These implications do not help

society and economy to evolve and they affect the environment and the sustainable development.

In order to solve these issues, it is necessary to implement interdisciplinary national conceptual framework to potentiate multidimensional understanding of the role and responsibilities of corporate, with the following objectives:

- Create a balance between economic measures and environment development in companies.
- Develop the CSR concept in SMEs.
- Apply at national level the existing international agreements.
- Increase knowledge concerning the positive impact of social responsibility.
- Develop good practice in CSR.
- Promote the development of managerial skills in CSR.
- Integrate social responsibility of companies in the European Union policies.
- Implement performance indicators in order to measure the CSR activity.
- Create a new vision, a green one that promotes sustainable development and CSR.

We conclude by reiterating that the way forward for TBL reporting is for a conceptual framework to be agreed and standards developed using normative-pragmatic process that will provide comprehensive and reliable reporting encompassing the social, environmental and economic dimensions.

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