

## THE IMPORTANCE OF IMPLEMENTING AND APPLYING CSR PRACTICES IN ENTERPRISES IN THE REPUBLIC OF MOLDOVA

Ana-Carolina COJOCARU (BĂRBIERU)

Academy of Economic Sciences of Moldova/ Ștefan cel Mare University of Suceava  
carolinabarbieru@gmail.com

### Abstract

*The growing concern of society about problems of ethical, environmental and social nature, make companies try to address them in depth, acquiring a permanent commitment to all interest groups. This implies that companies adopt an active and responsible posture regarding the impact of their operations. CSR is an essential aspect of any organization livelihood. This is becoming an inevitable issue, regardless of the size or industry of the company. The main objective of the paper is to delve into the importance for companies to be socially responsible, whether by focusing their actions on the internal or external sphere with which it is related. In presenting of the material, the descriptive method was chosen, which incorporated components of comparison, analysis and deduction. We also used the questionnaire as a method of analysis, in order to be able to directly gather the opinions of the entities from the Republic of Moldova. The findings of the study can be employed in the practice of entities as well as for educational reasons.*

**Key words:** Corporate Social Responsibility, ESG principles, local companies, SMEs.

**JEL Classification:** M40; M41.

### I. INTRODUCTION

CSR is a broad concept that can be considered from a variety of perspectives. As a result, entities, regardless of their size, continue to conflate what CSR actually is - charity or philanthropy with which the concept was first approached. As a result of this inconvenience, large, medium and small companies are engaging in a variety of activities and strategies centered on this issue, as this concept implies a higher demand for organizations to go beyond simple charitable works and identify how their actions truly impact the community and environment in which they operate, always looking from three perspectives: social, economic and environmental. This is because an organization can be described as equitable if only the social and economic aspects are addressed, as a bearable organization if the social and ecological aspects are considered and as a viable organization if only the ecological and economic aspects are considered, while a company that addresses all three factors is said to be sustainable. As a result of the foregoing, the purpose of this paper is to describe the evolution of CSR over time in order to contemplate the most significant milestones in its development and to see how, as the business environment changes, new concepts and variables emerge that determine the true development and importance of social responsibility for organizations. The purpose of the paper was achieved by the completion of the following objectives:

- Presentation of the CSR evolution;
- Analyzing the importance and advantages of CSR from a worldwide point of view;
- Providing a questionnaire to understand the opinion of the local entities on CSR;
- Describe and analyze the areas in which companies can focus their actions to be socially responsible;
- Formulation of conclusions.

In presenting the material, the descriptive method was used, which incorporated components of comparison, analysis and deduction. We also used the questionnaire as a method of analysis, in order to be able to directly gather the opinions of the entities from the Republic of Moldova. The questionnaire was distributed to 50 companies and we obtained 49 responds that served as basis to provide our research.

## II. RESULTS AND DISCUSSIONS

### *Brief description of corporate social responsibility evolution*

CSR emerged between the nineteenth and twentieth centuries as a voluntary participation of companies against the influence and resolution of conflicts that society has, in such a way that they contribute to its development and sustainability, through the creation of norms and guidelines given by the alliances between government and companies that allow them to achieve this end. It should be noted that companies began implementing CSR around the year of 1930, unaware that their actions during the Great Depression would later be referred to as corporate social responsibility. These actions were social contributions, as the Great Depression caused an increase in unemployment and poverty the United States and in European countries.

CSR, on the other hand, has evolved as a result of the influence of factors such as globalization, sustainable development and competitiveness, the latter being a critical factor for the survival of organizations in the market, as they must attract clients with unique and innovative proposals, as well as trust in them, allowing companies in 1980 to regard social relations as a fundamental part of their existence. CSR functions in the social, economic and environmental fields, assisting companies in improving their financial performance and as a result, improving their reputation, brand or image in the market. It also allows companies to understand the expectations of customers, suppliers, employees, investors and managers in order to achieve competitive success, which will be determined by each organization's ability to identify its stakeholders, understand their expectations and act on them (Freeman, 2010).

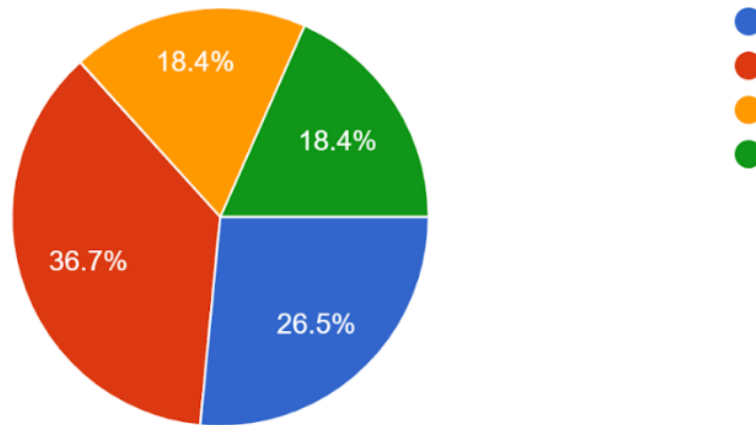
A number of initiatives were launched in 1999 to identify standards or principles that companies should examine in order to contribute to the growth of society, communities and markets. Human rights, labor, environmental protection and anti-corruption measures are among the main aspects approached in this initiatives, covering the "Ten Principles" of the Global Compact. Although companies are not required by law to implement and monitor these principles, they are aspirational guidelines that must be considered in management, operations and strategies in order to act and comply within a global Social Responsibility framework.

In recent years, Corporate Social Responsibility (CSR) has risen to prominence as one of the most significant areas of management, as organizations seek to differentiate themselves from competitors through its various characteristics. Development and globalization have increased social demand for companies that are more responsible and devoted to the environment, with basic social, ethical, labor and environmental duties that go beyond profit maximization and market position.

Entrepreneurs today are increasingly convinced that business success and lasting profits for their shareholders are not only achieved through short-term profit maximization, but also through market-oriented and responsible behavior.

### *Importance of implementing and applying CSR practices*

CSR is not only used by large companies, but also by medium and small businesses, also known as SMEs in the business world, which arise from an unmet need or the desire to start a new business and are characterized by work techniques, limited capacities and resources (Zubizarreta & Ramiro, 2009) and a lack of strategy in their processes, making CSR more than just a concept that companies must deal with. Because SMEs are small versions of large companies (Tilley, 2000), they bear a greater responsibility to face CSR. As a result, CSR must adapt to the characteristics and realities that SMEs face because they are not well positioned in the market, making CSR implementation a challenge for them (Vinogradova & Maier, 2015). They must design and implement positioning strategies and alternatives where CSR is a proposal for differentiation and competitive strengthening of the same in the market. However, some theories or models of CSR implementation claim that in order to be more competitive in the market, SMEs, regardless of size, must follow the same principles as large entities (Covas et al., 2011).

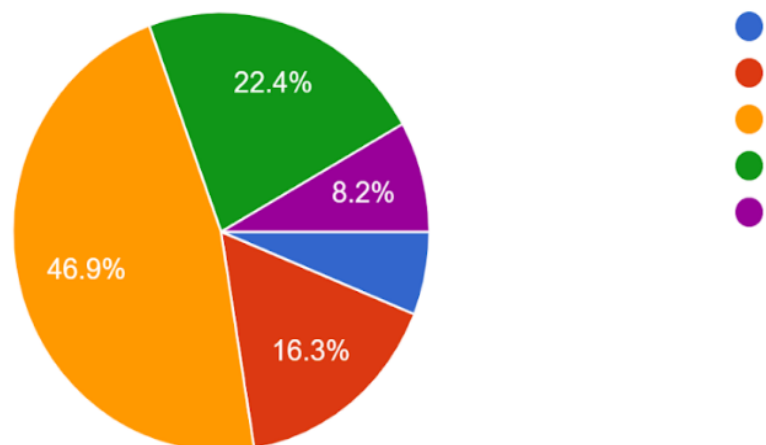


**Figure 1 - Questioned companies by their dimension**

Source: Elaborated by the author on the basis of the questionnaire results

As reflected in figure 1, we can see that 36,7% from the questioned companies, have between 10 and 49 employees and 26,5% have less than 10 employees. Bigger entities with a total number of employees between 50 and 249 represent 18,4%, equaling the companies with more than 250 employees.

On the other hand, there are challenges that limit an effective implementation of CSR inside SMEs, such as a lack of knowledge of the actions that small and medium-sized companies carry out on a daily basis that transforms them into socially responsible entities. A clear example of this is that SMEs manage well the schedule flexibility, job creation, guarantees and customer satisfaction, but they lack sufficient human capital, which is the main reason why a company cannot be socially responsible because workers are limited to a single function and their knowledge is limited, meaning that they know only about the work they perform.

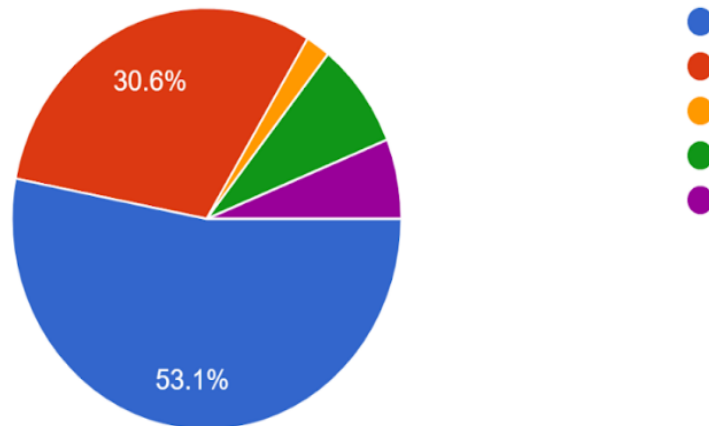


**Figure 2 - The main barrier that can affect the implementation of CSR is insufficient knowledge in order to be able to implement CSR in a professional manner**

Source: Elaborated by the author on the basis of the questionnaire results

As can be seen in the figure above, 46,9% of respondents consider that the lack of knowledge on CSR practices is an impediment to some extent in their implementation in entities. Another 22,4% consider that this issue has a major influence, and 8,2% believe that this is a huge problem, so we can conclude that the majority of

the respondents find the lack of knowledge as a real barrier in CSR implementation. As a result, some of these SMEs are currently investing in their human talent, giving workers the tools they need to succeed.

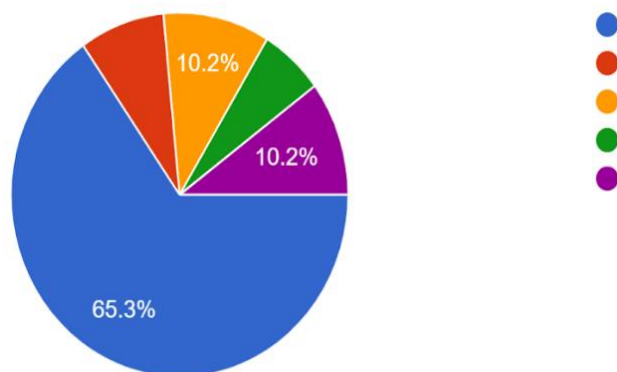


**Figure 3 - Offering the possibility to participate in trainings, internships and other ways of training for employees**

Source: Elaborated by the author on the basis of the questionnaire results

Figure 3 shows the information regarding the training and instruction options of the employees available in the surveyed entities. It is a positive aspect that at least 53.1% of companies offer these opportunities to their employees and deal with the development of employees' abilities and skills, as well as informing them about CSR practices. SMEs should be concerned about paying more attention to the needs of their stakeholders because by doing so they will be implementing CSR to a greater extent, despite the fact that their activities are conceived as informal, bureaucratic and spontaneous (Butnaru, 2018). Flexibility and external relations, honesty and trust established with their stakeholders are the pillars of achieving competitive advantages, therefore SMEs should be concerned about paying more attention to the needs of their stakeholders.

Furthermore, an organization's or a SME's stakeholders range from shareholders to suppliers and to the government to the workers themselves, the companies having to anticipate societal problems, even if its actions have not had a negative impact on them, reinforcing this way the relationships they have with their stakeholders that is critical when it comes to increasing profitability and establishing a socially responsible image.



**Figure 4 - The assessment of the potential impact on the environment when introducing new products and services**

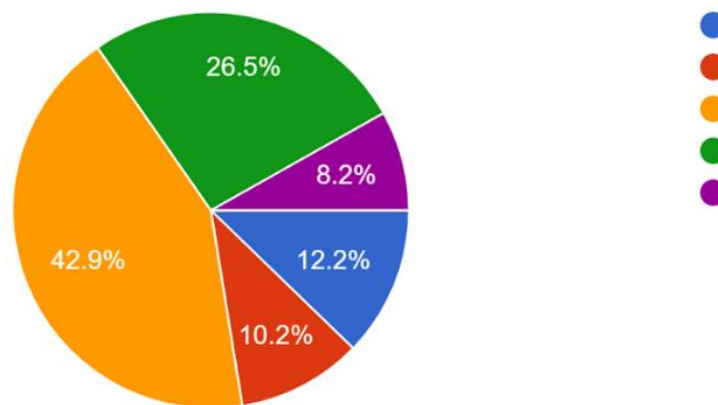
Source: Elaborated by the author on the basis of the questionnaire results

As we can see, 65.3% of the surveyed entities evaluate the impact of introducing new products/services on the market, planning and managing the activities so as to minimize or reduce at all the impact they may have on the environment.

Similarly, CSR must be concerned with people and the environment in a modern vision, contributing to the establishment of a mindset that considers not only the individual but also the organization. As a result, it is critical that this sort of company manage environmental regulations or policies that preserve not just the environment in which they operate, but also serve to raise awareness in other surroundings, such as in other organizations.

On the other hand, in the implementation of CSR within SMEs, it must be taken into account that the sustainability of a company depends on the decisions and the characteristics that they possess and that these decisions are made by senior management, taking into account the strategic choice theory (Child, 1972) and the upper echelon theory (Hambrick & Mason, 1984), since these are intended to explain how the reflection of the attributes and characteristics of the members of senior management influence decision-making and in turn distinguishing three fundamental characteristics of the behavior of individuals such as age, gender and intellectual ability.

It should be noted that implementing CSR has benefits for companies of all sizes, including: improved image and reputation, as a company recognized as a socially responsible entity has an advantage over companies or organizations that are not recognized this way; however, it is critical that those companies that are already socially responsible keep going in this process of continuous improvement not only for the company's advantage, but also for the benefit of the employees.



**Figure 5 - The importance of CSR in improving the company's image**

Source: Elaborated by the author on the basis of the questionnaire results

As seen in Figure 5, 42,9% of respondents agree to some extent that CSR practices have an influence on the company's image. Another 26,5% of questioned entities are sure that CSR has a major implication in improving the company's image and if there is a needed to enhance the reputation of the organization, CSR practices are the right option to do this.

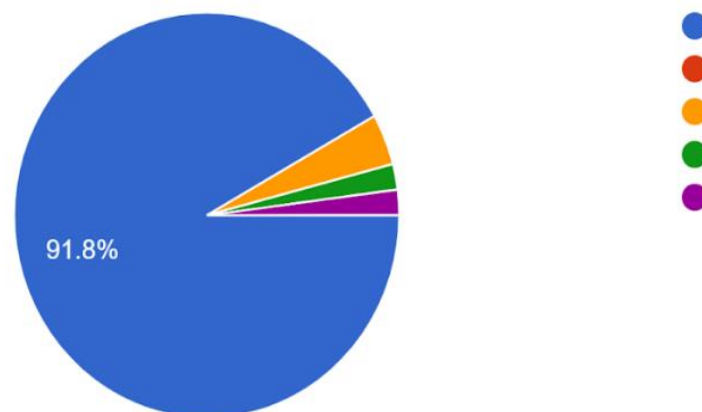
Another benefit of CSR is the ease with which it can enter new markets - whether traditional or financial - as a way or excuse to use resources efficiently (Busmachi & Covas, 2021), whether in the same activity or in the start-up of a new company, without neglecting human management, which has been a support for organizational competitiveness since it began as an administrative perspective concerned about the growth of problems in companies.

Changes in CSR are firstly due to factors such as the focus of analysis, which was concentrated on macro-social aspects of CSR (Lee, 2008) and secondly, to both ethical and normative perspectives focused on the performance of the company, as the responsibility of companies is more than just the generating profits for shareholders, the company being conceived as an economic project directed by shareholders (Friedman, 1970). As a second point, the responsibility extends to the stakeholders in such a way that if a new project is carried out (Friedman, 1970), it must include the stakeholders due to the impacts that they generate in them; therefore, it is

important to note that there are four elements that demonstrate a lack of clarity about CSR (Bourdieu, 2005). The first element is the presence of soft CSR as opposed to the absence of it, given that the concept of Corporate Social Responsibility is still being developed within organizations worldwide, the second element is that CSR has evolved voluntarily, so it is not the obligation of any company to apply it within its processes and the third element that is presented by interest groups (Bourdieu, 2005). Organizations must be guided by international or multinational enterprises that actually practice CSR in order to be viable and to pave the way in foreign marketplaces.

The nature of CSR is understood in four dimensions: economics, which is the expectation of efficiency and effectiveness of companies, legality, which is the legal arrangement established by the organization, ethics, which refers to business action and philanthropy, which is the responsibility of companies in social causes (Hambrick & Mason, 1984). In turn, four more dimensions emerge from the previously mentioned, which can be related to the responsible practices of human management and business ethics in such a way that human management develops practices of competence, discretion and evaluation in order to improve the quality of life of workers based on integrity and respect within organizations. In order to obtain this, the companies play an important role in society not only for the generation of jobs, but also for the rules of business conduct, with which it seeks to minimize the social and environmental impacts that its actions cause (Mercado & Garcia, 2007). Furthermore, human capital is a critical component of the organization because the company is based on the long-term relationships with stakeholders, where these are part of the internal and external relationships that comprise the social capital of the companies, helping to improve the conflicts presented within the organization (Kay, 2003).

Similarly, within the human management that supports CSR, the ethics that employees have while developing their activities and interacting with stakeholders stand out, because individual ethics are not judged under CSR, but rather in relation to the organization. Fully, regarded as an economically, socially and environmentally responsible entity, therefore business ethics and social responsibility can be considered to be closely intertwined.



**Figure 6 - The company promotes honesty and ethics in all transactions/contracts/partnerships**

Source: Elaborated by the author on the basis of the questionnaire results

At this point, almost all companies, or 91,8% of them, confirmed that the entity promotes ethical behavior in all business relationships, which is an important indicator in the implementation of CSR practices.

Both concepts are applicable in personnel decision-making and are used by companies or organizations that take a humanistic approach, meaning that they focus a little more on the needs of their employees while not neglecting the tasks assigned to each one of them. They are also used in operational and strategic decisions (Hill et al., 2014; Socoliuc et al., 2020). With this, comes the idea of voluntariness based on links between stakeholders and economic results, so that CSR helps to the sustainable and balanced growth of society and earth.

It can be observed that corporate social responsibility is not a new or strange notion in companies, but it has pervaded the organizational realm for many years and is a critical aspect of the growth in many enterprises. Today, the concept is constantly evolving, as evidenced by the fact that current organizations are moving away from the concept of social responsibility and towards the concept of creating shared value, in which not only companies have a responsibility to society, but also where parties work together to achieve better results.

### III. CONCLUSIONS

According to the findings, CSR has evolved over time in such a way that it adapted to the decades in which it developed. CSR adapts to the constant changes in the environment in such a way that each day is a little easier for companies to access its implementation, because, as mentioned in the text, companies must carry out their activities around three main aspects that are economic, social and environmental in order to be a sustainable company, because with their help, is easier to maintain a permanent relationship with the crisis that the organizations and societies are faced. Furthermore, it is assumed that implementing CSR in SMEs will provide better market positioning and image, deeper knowledge of their stakeholders' needs and more ecologically responsible procedures. Finally, it should be noted that Corporate Social Responsibility advances in relation to technological and environmental changes, thinking not only for its own benefit, but also for the society within the decision-making process. Therefore, that CSR concept once again becomes a factor that allows and facilitates the growth of the companies and society.

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