THE SOCIAL RESPONSIBILITY OF THE FIRMS AND ETHICS IN BUSINESS

SCUTARU LILIANA
Ph.D. Lecturer “Stefan cel Mare” University of Suceava, Faculty of Economics and Public Administration, Romania
lilianas@seap.usv.ro

Abstract
The ample process of the sustainable development in which all the firms are involved, larger or smaller, determines them to reconsider their business politics and to turn to the demands of the environmental protection and social cohesion, concurrently with the increase of the profits that represent the main motivation of a firm existence. This paper addresses the issue of corporate social responsibility and moral behavior adoption in activities developed resulted in codes of business conduct. The concept of social responsibility has been widely debated over the years for the adoption and implementation by companies of ethical behavior in business. Ethics in business takes account of an ethical perspective on the way in which a company or an individual understands to do business, meaning a set of principles that should lead business conduct, both at individual and organization level. In Romania, the actions of social responsibility had a modest start, developing gradually through the experience brought by multinational companies. More and more firms understand what impact their activities have on their own employees, their customers, shareholders, the community and on the surrounding environment. The analysis effectuated on the companies which develop their activity in Romania show that, for the most part, only the multinational firms fulfill the demands for the realization of the concept of social responsibility and have at the same time, established conduct codes in the business they make.

Key words: social responsibility, ethics in business, ethics codes, codes of business conduct, ethic investments

JEL Classification: M14, Q56

Introduction
For all the firms, confronted directly with the present economic problems, the problem of the ethics in business is mentioned both concerning the role of the corporation in society, but also concerning the role of the employee of the firm. As a consequence, the main scope of action and of development of the firms’ activity is represented by the social responsibility and the principles of ethics in business.

More and more companies create moral codes, also named ethics codes which refer to the values, norms and the conduct that the personnel of the company must appropriate. The aim of the ethic code is to specify both to the employees and the parts with which the firm establishes relations that it does not pursue the performance and efficiency with any price, but it has in view a set of norms and moral conduct based on which it acts in business.

An ethic code includes “commands” against corruption, pollution, mystification of the products’ quality, for the employment of the personnel based on criteria of professionalism, for the elimination of racial or religious discrimination, the improvement of labor conditions, the involvement in charity etc.

The principles of the sustainable development implies new visions regarding the forms of organization and management of all firms, mainly of the multinational companies, because, by their financial force they represent the main promoter of the great process of sustainable development of humankind.

The concept of social responsibility of the companies
The problem of social responsibility was strongly debated in time by the researchers of the domain, offering pro’s and con’s for the adoption and the implementation of this concept within the firms. Thus, in the 70’s, Milton Friedman (Friedman, 1970) published an article in which he rejected by all means the idea of social responsibility of the corporations. To support his points of view, he brought three arguments. First of all, the managers of the firms are the employees of the shareholders and, thus, they have the responsibility to maximize the profits and in a less extent to install an ethical conduct both within the extern and intern environment of the firm: “the social responsibility of business is to increase their profits”, affirmed Friedman. Second, ethically speaking, only the human beings can be responsible for their actions. Therefore, the companies cannot assume ethical responsibility. Only their employees can...
be responsible for their actions as long as they activate in the company. Consequently, the social problems are not of
the competence of the managers’ corporations, but they are obligations of the government.

This reductionist vision is criticized by numerous authors among who we mention Kenneth Arrow (Arrow,
1973), who offers a larger specter to the ethical business which must be the concern of each company. Thus, he traces
four main directory lines to be followed:
- any economical activity of the firms needs a certain degree of ethical conduct, which represents “an element
  of trust and credibility”, aspect which cannot be reduced at the notion of profit, but it is about elementary ethics;
- the focus on the pursuit of the income is harmful because “there are at least two types of situations in which
  the simple rule of maximizing the profits is inefficient from the social point of view: the case in which the costs are
  not paid (such as pollution) and the case in which the seller knows more about its product than its buyer”;
- many times the usage of an ethical code by the company increases its economical efficiency. For example,
  the situation in which the buyers do not have data regarding the next product acquired, which can determine them to
  acquire the products they do need or to withhold;
- not least, to insure that an ethical code is efficient, it must be realist, meaning to represent the interests of
  the firm and of the employees, because the term “reality” means “much more consequences than those purely
  economic”.

In its turn, Camenish (Camenish, 1981) sustains the necessity of the ethics to institutionalize all the
enterprises and organizations by elaborating the ethics codes, this being a necessary and very useful solution both for
the firms and for the buyers, affirmation sustained based on the following reasoning: the present society is the one
that allows the corporations “the right to exist” because it gives them legal statute as entities and allows them to use
natural resources; the purpose of this status is not the attempt of the directors and employers to make profit because
the society needs to “transform the available gross matter in goods and vital services, and because business, in their
present form had a great success in doing so”; it is desirable that the activities of the firms do not cause casualties and
irreversible undoing.

William Show and Vincent Barry (Show and Barry, 1992), realizing a pleading in favor of an ethical
behavior in business, affirm that the first step consists in creating an ethical climate within the big companies by
installing a moral behavior in virtue of the ascertained fact that these are more capable to promote their common good
than the small firms or than the individuals.

The author offers more arguments in this regard to the companies, namely: it is their duty to manage their
business in a moral way, proving an ethical behavior in all compartments, both on vertical and on horizontal; the
encouragement of all members to assume moral responsibilities and the offer of rewards with this purpose; the
companies should take into account the opinions and the perspectives of the employees, the shareholders and not
least, the product consumers, because they keep the firm functioning; the need of maintaining a good relation with
their social environment, because, as a part of the society, the companies interact with more groups from the outside,
including concurrence so that, inevitably, one’s action influences the other one’s actions on multiple plans.

The association between Ethics in Business and codes of Business Conduct

The idea of social responsibility is viewed, in its turn, in association with another key-concept, namely that
of business ethics. The notion of the ethics in business is regarded in essence as being a moral notion consisting of the
ideas of honest and right behavior, the respect for the neighbors and the reciprocity both in interpersonal relations and
at the level of the organization the individuals can be in.

Consequently, the social responsibility together with the ethics in business imply the obligation to supply
quality products and services, the preservation of the biotic patrimony and the rational usage of the natural resources,
consideration for the product consumers and, more than that for all humans.

In the vision of the author of the manual R.T. De George (De George, 1990), the ethics in business refers to
an ethical perspective on the way in which a company or an individual understand to do business, meaning their
morality or immorality, to a set of principles that should govern business conduct both individually and public
collective. At the same time, the author affirms that ethics in business depends on the fairness of sharing the resources
so that their allocation and that of the incomes take place based on merit, needs and the effort laid down by each firm.

Together with the appearance of the informational society certain problems associated to this one, which are
connected to the business morality given by the consequences of using the new technologies, including those in
genetics have emerged. Consequently, some questions have appeared, namely: is it ethical to create top technologies
if they lead to the destruction of the environment, to the consumption of the limited natural resources of the Terra or
even to the menacing of the human race existence? Is it moral to have personnel employed in such enterprises?

A practiced method during the last few years and with notable results is that through which a large number of
shareholders and investors aim to contribute to the moral empowering of the companies, especially of the
multinational ones, because they represent a real pattern for the other firms. Their action consists in buying the
majority package of the stock holdings at those companies, which gives them the right to vote in AGA and the
participation in the firm management. By means of this practice, they can decide the strategies of these companies
concerning for example the pollution of the environment, the testing on animals of the resulted medicine, the
exploitation of cheap labor force in poor countries and the employment of minors, the racial or gender discrimination, etc.

Also, a part of the shareholders who pursue, besides the profitability of their investments, the moral business and the social responsibility of the companies where they have stock holdings, make their investments according to some ethical norms. Thus, the positive criteria based on which the companies are selected to make ethical investments pursue the improvement of the practices of protection of the environment, the diminishing of the toxic gas emissions in the atmosphere, the improvement of the public transportation, the renovation and the preservation of the historical and architectural monuments, the promotion of “the green technologies” etc.

On the other side, there are the companies that produce and trade alcohol, cigarettes, munition, chemical and toxic products, the firms that exploit cheap labor force in the developing countries which hire minors, which endanger the diversity of bio-species, which promote genetics engineering, which violate the animal rights, etc.

The first companies which created the ethical codes were American and Japanese, both in what concerns the relation of the firm with the outside and for diverse occupations in the inside. They were based on juridical system for the Americans and especially on the cult of work for the Japanese. Then, these codes also appeared in the European firms.

In the year 2000 ONU launched an initiative called Global Compact which represents a frame program of supporting the companies that commit to adopt and put in practice the ethical codes, to sustain and practice the social corporative responsibility in business to reach sustainability at global level. The pact is underlain on ten principles universally accepted, divided in four domains on which the multinational, internal firms with private or state character, must develop their activity: the human rights, the labor conditions, the environment and the fight against corruption.

The voluntary participation of the firms at the Global Compact offers them a series of advantages: the establishment of connections between all the firms and their subsidiaries from all over the world, exchanges of the best praxis and the establishment of common strategies in the field, knowledge regarding sustainability, problems of development and environment, the participation to symposiums and political dialogues locally and regionally, the participation to partnership projects in view of establishing a common denominator between the private sector and the public one concerning the experiences and the competences with the aim of improving the results of the activity.

Global Compact has local networks in over 80 countries in different stages of economic development and in different cultural contexts, being composed of agencies of the United Nations, private and state companies, business organizations, trade union organizations, non-governmental organizations, governmental institutions, universities.

The project offers the member companies a positive publicity by means of which their quota of trust is increased in the business environment and towards the buyers. In their turn, the companies propagate the principles of the Compact in the world and participate to the creation of a global and sustainable economy.

The UN recommends the companies to incorporate the Global Compact principles in their business strategies and to promote them at all levels they activate in. The incorporation of the ten principles presupposes to run through three stages of action:

- the registration in the Program, with the coercitiveness to respect the Principles;
- the elaboration of a deployment plan of the Principles;
- the annual report of progress and success obtained in the deployment to Global Compact.

The promotion of Corporate Social Responsibility must become a desideratum of each company no matter the location of its centre on the globe. The concept is used for the first time by the American economist Howard Bowen. The author attaches to the concept a series of obligations, decisions and conduct lines of the firms compatible with the objectives and the values of the society. In his vision, he used to define CSR as being “the obligations of the businessmen to follow those politics, to take those decisions and to follow those directions which are agreed in terms of values and objectives by our society” (Bowen, 1953).

The European Committee defines the social responsibility as “a concept by means of which a company incorporates voluntarily the preoccupations for social and environmental problems in the business operations and in the interaction with the partners of interest”. In its practical sense, the notion of social responsibility is translated by economic prosperity, the respect for the environment, the bettering of the social cohesion.

In the vision of the World Business Council for Sustainable Development the social responsibility represents the “continuous commitment assumed by the companies to have an ethic behavior and to contribute to the sustainable economic development, improving at the same time the quality of their employees and their families’ life, of the local communities and the society as a whole”.

In the year 2001 the World Economic Forum established eight domains in which the firms can get involved obtaining concrete advantages, namely the increase of the firm’s reputation or the strengthening of the image of a brand, as a consequence of the involvement in actions of social responsibility; the increase of the firm’s prestige, the risk’s management, the reports with the investors and the access to the capital, the actions of recruitment of the personnel, the competitiveness, the operational efficiency, the learning and the innovation, the elicitation of the licenses of operation.

In Romania, the CSR actions had a modest start, developing slowly by means of the experience brought by the multinational companies. There are marketing campaigns in the field, corporate volunteering programs, social
campaigns, donations programs and even competitions of the projects of corporate social responsibility. Numerous corporate foundations have also been founded and annually diverse seminars and debates in the field take place. (Oana Mateescu, 2005). More and more firms understand the impact their activities have on their employees, clients, shareholders, community and on the environment.

Danone, for example, is globally involved in actions of social responsibility for over 40 years. In the 80’s, Antoine Riboud, the co-founder of Danone group said that “For a company the responsibility does not stop at the gate of the factory. Its actions are felt in the community it is part of and influences the quality of each citizen’s life. The development (of a company) mustn’t be for itself anymore, but to be in the service of life’s quality” [10]. For Danone, the social responsibility is translated inclusively by the preoccupation for the education of the consumers for a healthy nourishment and life style and by the social actions it promotes. Concretely, starting with 2005, Danone displays a support program in favor of the partner farms in Romania which consists in investments having as results the increase of the quantity and of the quality of the milk produced, aspect reflected in the quality of Danone products. We also remind the fact that in 2009 the French company allocated 420000 euros as donations for the hospitals, orphans and foster cares, foundations and humanitarian organizations, getting involved at the same time in actions of supporting the underprivileged children or of promoting young artistic talents. At present, Danone is developing a large program, started in 2009 in many countries like France, Italy, Spain, Czech Republic, Poland, Romania, to reduce the quantity of plastic used to pack the yoghurts as to protect the environment and the PET used to bottle the water. Also, it has in progress in many countries in the world the logistic program “Eco-drive” to optimize the transportation routes in view of reducing the distances from the collecting point of the milk to the processing point.

For Vodafone, the second operator of mobile phones in Romania, being a responsible company means “to reinvest in the society it is part of, responding to the needs of the community and supporting those initiatives which contribute to the improvement of human life”[18]. The group donated in 2002, when the Foundation Vodafone was founded, 20 million pounds for the development of community programs. Locally, Vodafone Romania invested within 1997-2005 over 3.5 million dollars in different projects, especially in the domain of education, culture and art – by financially supporting restoration works and sponsoring some important cultural events, in favor of health – by cleaning programs in partnership with different profile organizations. In 2006 the suns afferent to CSR raised up to 2 million dollars. Vodafone foundation supports charity actions for underprivileged categories of population, mainly for children and old people all over the country. In 2007 the projects supported by the Foundation cost 2.5 million dollars. Vodafone was quoted for 2008 as being the most ethical multinational in the domain of telecommunications by the Swiss company of consultancy in the management of Covalence reputation [8].

Between the years 2010-2012 Vodafone conducted a broad public education campaign for emergency situations, with the slogan “A life may depend on you!” in which over 9000 people attended first aid training courses and which has as impact the increasing responsibility among people in the proper use of the emergency number 112. Investment in the program was 57,000 Euros.

At present time, the Foundation Vodafone Romania supports charity and community actions for children with high intellectual potential who come from underprivileged families, programs in education, health, the prevention of family abandon, for people with special needs and underprivileged categories, especially children and old people from all over the country, etc.

Holcim Company Romania carries in its turn on programs of social projects in the benefit of the communities in which they develop their activity. Among these we mention the training courses regarding the safety of the employees at their work, their health and that of the environment as a consequence of the productive activity of the company [14]. Also, the firm supports and sponsors organizations and institutions for the support of the educational, community environments, the social aspects and the development of the teenagers. It is oriented in particular towards those programs which aim at the training and the development of the management and social abilities, programs intended for the contribution to the education of the teenagers in the business and economic domains. Worthy to be mentioned is the campaign of wide scope “Let’s keep the waters clean” displayed by Holcim and the National Administration of the Romanian Waters between March-October 2008 which had as main objective to render ecologically sound the rivers: Crisul Alb, Crisul Negru, Somesul Mic, Bahlui, Olt, Jiu, Aries, Dambovita, Bega, Siret and Buzau. The 500 volunteers gathered around 500 tones of waste and mounted 750 bins for their collecting. The involvement of Holcim in this project was of 9000 euros. The Covalence Ethical Ranking report 2008 classifies the company as being the most ethical multinational of all the firms which activate in the domain of construction materials. Also, Holcim realized the first project of social responsibility in Romania, investing over 12000 euros in the building of the kindergarten with extended program in Alesd. The company gets permanently involved in complex educational programs displayed both locally and nationally, making multiple investments in the domain of the social responsibility.

Petrom-OMV, a company which activates on the Romanian market of gas products, sustains that the corporate social responsibility is a part of its strategy. The firm politics concerning CSR consists mainly in the efficient usage of the energetic resources, the protection of the environment and the sustainable development of the society, under the name of “Respect for the future” [21]. The campaign displays ample programs both for its own employees but for the entire society, which consist in education, sport, culture, health, environment projects and partnerships with the local community. In 2006 the company allocated 2.6 million euros for the CSR projects, and in
most part, only the multinational firms accomplish the requirements for the fulfillment of the concept of social responsibility. During the analysis made on the companies that display their activity in Romania, I ascertained that, for the moment, only the multinational firms possess data regarding the next purchased product. For the firm which can increase the buyers trust in the company and, implicitly, in its products when they do not possess data regarding the next purchased product.

Since 2011, Petrom is the sponsor of "European CSR Lessons" project organized in partnership with several multinational companies in Romania for supporting the Romanian economy to become more sustainable, learning from the experiences of European companies in the field of CSR.

Ozone Laboratories consider that the CSR politics must be based on performance, “respecting the standards of the ethics in business and promoting good and fair relations with our employees, with our suppliers, with our clients and the community on the whole”[17]. The strategy of the firm focuses on two directions of major importance, health and education. Consequently, starting with 2005, together with the founding of Ozone Foundation, the firm develops national programs regarding the support of the population health, its education regarding the act of auto-medication, the launch on the Romanian market of the wrappers inscribed in Braille, the equipment of all general schools in Bucharest with first-aid kits, ample campaigns of blood and medicine donations to some underprivileged categories. In what concerns the education, Ozone organizes periodically summer schools for the students in medicine, pharmacy and economy, which is a very modern way to value the qualities and of interactive learning.

Conclusions:

The promotion of the corporate social responsibility must become a desideratum of each company, no matter the location of its centre on the globe. The social responsibility, together with the ethics in business implies the obligation to supply quality products and services, the preservation of the biotic patrimony and the reasonable usage of the natural resources, consideration for the products consumers and, more than that for all the people.

The ethical business must represent the preoccupation of each company because many times the usage of an ethic code by the company increases its economic efficiency. This aspect can also represent an important advantage for the firm which can increase the buyers trust in the company and, implicitly, in its products when they do not possess data regarding the next purchased product.

During the analysis made on the companies that display their activity in Romania, I ascertained that, for the most part, only the multinational firms accomplish the requirements for the fulfillment of the concept of social responsibility. Many of the national firms do not have at the moment an ethic code and if that exists, there are no concrete actions concerning CSR, for which we had to exemplify only with concrete cases of the multinationals.

We consider that the subject of ethics in business and that of the corporate social responsibility is still at the beginning, in particular for the Romanian firms, but we have the conviction that once the entire gear problems have been triggered, and the multinational and national companies have appropriated them, the evolving process of the global ethics in business will develop, having positive consequences for all the parts involved in the global economy, with the view of a real sustainable development of humankind, amid the intensification of the capital migration as ethic investments.

References:

[7]. Commission of the European Communities, Information of the commission to the European parliament, the council and the European Standing Committee on Industry and Trade and the welfare Committee. Realisation of the partnership for growth and employment: Europe should become one of the leaders on the field of social responsibility of companies, Brussels, 2006.

[10]. www.danone.ro/responsabilitate_sociala


[14]. www.holcim.ro


[18]. www.responsabilitatesociala.ro/companii/vodafone-romania


[23]. www.unglobalcompact.org