

INTEGRATION OF SOCIALLY RESPONSIBLE PRACTICES IN SMALL AND MEDIUM FOREST ENTERPRISES

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ABSTRACT: The concept of Corporate Social Responsibility (CSR) is an international issue of a growing importance, being supported by governments, non-government organizations and by the business community. The Romanian forestry sector faces problems such as deforestation, forest degradation, illegal activities or corruption. The solution to these problems is to be achieved with business participation, since companies constitute a mandatory operator along the forest production chain. Since in Romania the CSR concept is quite new, the main objective of this study is to analyze the involvement in socially responsible activities of small and medium forest enterprises operating in the wood processing industry in Suceava County. In order to respond to the set objective, a quantitative study has been designed, with the use of questionnaire research technique. The questionnaires have been collected from 122 companies. The empirical findings suggest that the respondents do not recognize a general need for socially responsible activities; moreover, they are struggling with honouring the laws. Out of 122 companies, only 18 companies have a specific FSC wood procurement policy and 4 companies have the chain of custody certified. It seems that the majority of the companies stick to the philanthropic dimension of CSR, their main CSR activities being materialized in charitable donations.

KEY WORDS: Corporate Social Responsibility (CSR), business, small and medium enterprises, Suceava

1. INTRODUCTION

The adoption of an ethical behaviour by the business sector is becoming more significant worldwide, as it is believed as having a significant potential in fighting with social and environmental problems.

The concept of Corporate Social Responsibility (CSR) is an international political, social and economic issue of a growing importance, being supported enthusiastically by governments, non-government organizations and by the business community.

According to the European Commission, CSR is seen as business contribution to sustainable development, having the potential to contribute to economic competitiveness and to a more rational use of natural resources.

The growth of attention towards CSR in the last years is closely linked to the society's awareness to the externalities of business activities. Globalisation has created new opportunities for corporations, but many of them, after being credited to contribute to economic growth, have been criticised for creating social and environmental problems or for the violation of labour rights.

Within the Romanian forestry sector CSR is a relatively new concept, being still at a starting point. The Romanian forestry sector faces problems such as deforestation, forest degradation, illegal activities, corruption etc., despite the fact that new forest policies have been introduced in response. Controlling illegal activities and corruption in the forest sector is to be done with business participation, since companies constitute a mandatory operator along the forest production chain.

The analysis of the way in which large and multinational companies from Suceava County are engaged in social responsible activities has been carried out in a previous study. The empirical findings suggest that the interviewed managers do not recognize a general need for CSR and that the understanding and practices of CSR are anchored in the field of philanthropic actions. CSR is perceived as an additional activity added to the mainstream operations, thus, not being integrated into the core business strategies [1].

Another study examines the social responsibility of Italian companies operating in wood industry in Romania. The results show that these companies are not engaged in the same type of CSR activities as in Italy, and that they tend to adapt to social and environmental conditions in the host country, without being proactive [2].

The aim of the present research is to analyze the involvement in socially responsible activities of small and medium forest enterprises operating in wood processing industry in Suceava County.

2. THEORETICAL MODELS OF CSR

Corporate Social Responsibility is not a new concept. CSR origins can be placed in the nineteenth century, when some of the large industrial corporations have emphasized on the wellbeing of their employees. However, even though these early concerns on CSR are acknowledged, Carroll considers that the modern era of CSR had begun in the 1950s, with Bowen's work "*Social Responsibilities of the Businessman*" [3]. During the '60s and '70s, the definitions of CSR have started to flourish.

A great number of definitions of the concept ranging from simple to complex can be found in the literature. Even if the discussion about the relationship between business and society and the involved responsibilities has been going on for several decades, there is still no consensus on a commonly accepted definition of CSR [4, 5].

For the purpose of this study, the definition of the Green Paper of the European Commission will be used: "*CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders, on a voluntary basis*" [6].

Garriga and Melé have provided an overview of the main approaches in CSR. They have divided the research on CSR into four main categories: instrumental, political, integrative and ethical theories [7].

- The group of instrumental theories considers only the economic aspect of the interaction between business and

society. They assume that firms are instruments for wealth creation and this is their only social responsibility. They are concerned with maximizing the profit and the value of the shareholders and they develop strategies for competitive advantage.

- The second group of theories underlines the social power of the firms, especially in the political arena. Corporations accept social duties and they participate in social cooperation. They focus on social contracts and corporate citizenship.
- The integrative theories plead for the idea that business is part of the society and depend on society for its continuity, and even for its existence. They concentrate on the principle of public responsibility, on stakeholders' management and on corporate social performance.
- The last group of theories emphasizes on ethical values, seeing CSR from an ethical perspective. Corporations accept social responsibilities as an ethical obligation.

Quasi and O'Brian have broadly classified the CSR models in two major categories. The first group of models sustains that the social responsibility of business is a single dimension activity, in which business has to supply goods and services to society at a profit. The second category of models appeals that business should also provide welfare of society as a whole, so it has a broader responsibility, reaching beyond the narrow perspective of profit maximizing in short term [8].

There are many linear models characterizing the various stages in the analysis of CSR. Scholars such as Hay, Gray, and Gates (1976) or Zenisek (1979) have offered an ethical perspective to CSR concept, conceptualizing it as the degree of fit between society's expectations from business and the ethics of business [9].

Carroll conceptualized the components of CSR, depicting them within a pyramid: "*The CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen*" [10].

This short theoretical section has pointed out the main theories and models on CSR. The literature on CSR covers matters such as the expectations of the society towards business, the obligations of firms towards society, or the responsibilities perceived by the business society, in general.

3. OBJECTIVES, METHODOLOGY AND LIMITATIONS OF THE STUDY

The objective of the present research is to analyze the involvement in socially responsible activities of small and medium forest enterprises operating in Suceava County. The specific objectives are: (i) to assess the perception of the respondents regarding the socially responsible behaviour, (ii) to analyze the approach of companies in respect to how social and environmental aspects are taken into account into the companies' actions and (iii) to find out the most common socially responsible activities carried out by the companies under study.

The general aim of this study directs the adoption of research methods specific to the sociology field. Therefore, the overall chosen approach has been quantitative. The choice of this approach shaped the design of the research, the procedures and the methods used in collecting and analyzing the data, as explained further.

The study has an explorative nature, seeking to reveal the perception on responsible behaviour of a company, as well as a descriptive nature, aiming to present the most common CSR activities of the companies under study.

Exploratory research "*seeks to find out how people get along in the setting under question, what meanings they give to their actions, and what issues concern them*" [11].

Descriptive research seeks to depict what already exists in a specific situation and it is used to obtain information concerning the current status of the phenomena.

The main technique used to collect data has been the questionnaire. The main steps in completing this task have been: the selection of the sample, the selection of the type of questionnaire and the design of the questionnaire.

The selection of a representative sample has been restricted by the impossibility of finding out the size of the initial population, respectively the number of companies operating in the wood processing industry in Romania. It has been decided for the study to be conducted at the level of Suceava County, for small and medium companies involved in this sector. Yet, the difficulty of finding out the total number of wood harvesting companies still remained; moreover, not all of these companies could be contacted through e-mail. Therefore, it has been decided to contact as many companies as possible that have participated at a standing wood auction within Suceava Branch of the National Forest Administration (NFA). The questionnaires have been distributed before the auction and they have been gathered at the end of the auction. Out of 198 companies participating at the selected standing wood auction of the Suceava Branch of the NFA, 122 companies have fulfilled the questionnaires, thus the response rate being 61%.

Corresponding with the interest of this research, the type of the questionnaire with closed questions and multiple-choices answers has been considered as being the most appropriate one. Questionnaires contained a number of 12 questions, with around 10 minutes needed for their completion.

Although the data collection seeks to quantify opinions and facts, yet, the generalization of the quantified percentages cannot be made. Instead, the quantification offers a general image of the importance of the matter for the companies under study.

For the analysis and interpretation of the data it has been used descriptive statistics.

4. RESULTS AND DISCUSSION

When asked to rank the main responsibilities of the forest industry sector, 66% of the respondents have placed on the first position their duty to offer jobs to local community, followed by the protection of the environment (55% of the respondents), while the social responsibility has been perceived as being the last duty (figure 1).

This result shows either that the respondents do not recognize a general need for socially responsible activities, or they do not have enough knowledge on the concept.

Still, the fact that more than half of the respondents placed the environmental protection on the second place as their responsibility is important and it shows that they belong to the second group of models, having a broader responsibility of providing welfare to the society, thus more than just supplying goods and services and making profit.

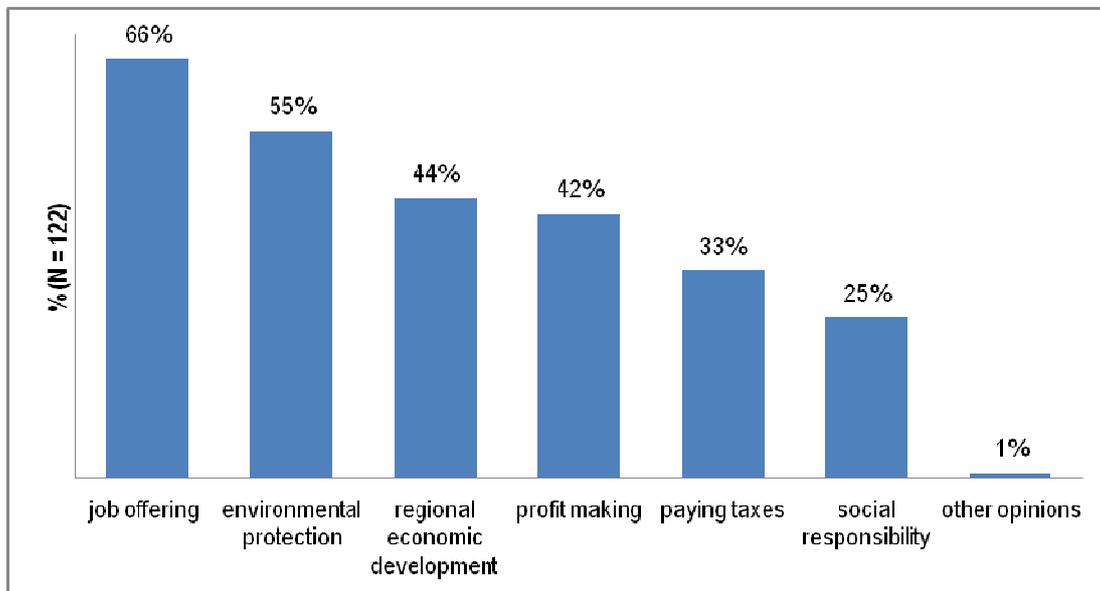


Figure 1. The distribution of respondents' perception on the main responsibilities of the forest sector

The opinion of the respondents regarding whom should be involved in solving social problems such as unemployment or education and environmental problems such as pollution, waste management, illegal logging etc. is presented within figure 2. Thus, *business should collaborate with government* in finding feasible solutions for social and environmental problems, or *all the interested stakeholders should be engaged* in this process. It is to be observed that the respondents see the solution of the social and environmental problems partly as being their responsibility too.

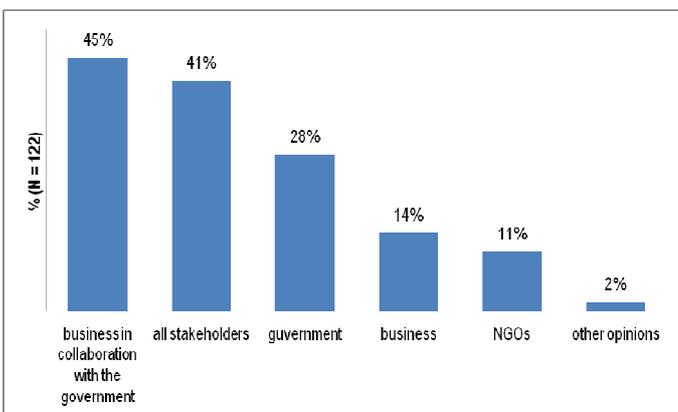


Figure 2. Respondents' perception on stakeholders whom should be involved in solving social and environmental problems

CSR definition of the European Commission has been presented within the questionnaires and the respondents have been asked to express their opinion on their company being socially responsible or not. The distribution of the answers has been as it follows: 61% of the respondents think that their companies are socially responsible, 8% of them do not consider themselves socially responsible and 31% of the respondents don't know / don't have an opinion on this matter.

Although CSR definition highlights the fact that social and environmental responsibilities have to be integrated within one company' practices *beyond the law*, the same distribution of answers as the above one (62% for *yes*, 10% for *no* and 28% for *I don't know*) has been obtained for the question: "In your

opinion, if a company strictly complies with law, it can be called socially responsible?". Therefore, for 62% of the companies under study, the integration of social and environmental responsibilities in their daily operations is done through laws (mandatory), voluntary activities not being taken into account. This fact shows either a misunderstanding, or a lack of knowledge upon the concept of CSR.

Furthermore, when asked to select from a list the activities performed by the company, on the first place it has been selected *completion of the environmental laws and regulation* by more than half of the respondents (figure 3). It is to be stressed one more time that complying with law does not make the object of CSR activities, the result clearly showing a lack of knowledge on the concept of CSR.

The next frequent activity that has been chosen was *charitable donations* (at the local or national level). This result is similar with that of a study conducted in 2008, namely that many of the companies consider that CSR could be reduced to donations, sponsorships, or philanthropic activities [12].

Other activities refer only to two categories of stakeholders, namely employees and local community, while stakeholders such as customers or suppliers are not mentioned by any of the companies.

Also, most of the activities related to the environment are selected by a small number of companies. Regarding the certified wood, 33% of the companies declared that they do use certified wood. Yet, the conclusion that these companies have a special certified wood procurement policy cannot be drawn, due to the fact that most of the forests within Suceava county are FSC certified and the companies buy the certified wood at auctions, no matter if they purposefully intend it or not. Therefore, a relevant conclusion can be withdrawn from the fact that the last position, occupied by the activity "*company's chain of custody is certified*", has been selected only by 3% of companies, respectively 4 companies, out of 122 (figure 3). These 3 companies certainly have a specific wood procurement policy.

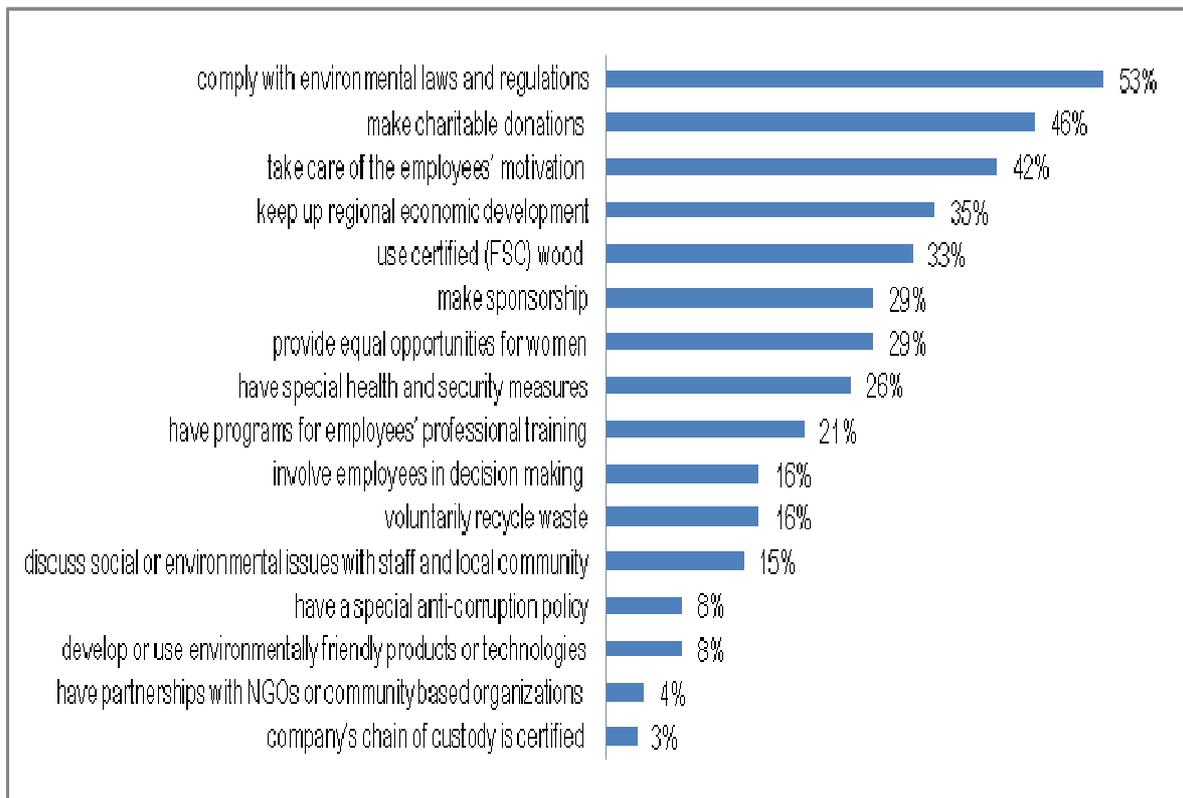


Figure 3. The distribution of the activities carried out by the companies under study

The distribution of answers to the specific question on procurement manners (figure 4) shows a decrease of the percentage of companies declaring that they use FSC wood: from previously 33% (figure 3) to 22% (figure 4); the difference of 11% representing companies that partially / occasionally buy FSC wood. At the same time, 11% of the respondents admitted the fact that the price is the most relevant criterion on which they buy wood, being urged by the economic principle, rather than by the ethical one.

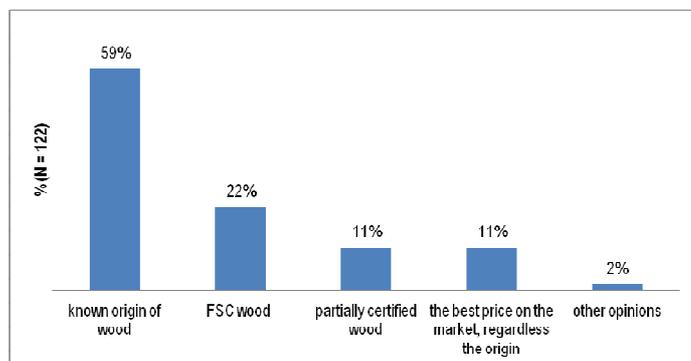


Figure 4. The distribution and frequency of the manners in which wood is procured

Still, 59% of the respondents declare that they know about the origin of wood used or commercialized.

According to World Wide Fund for Nature WWF, a company has at least three ways of proving that it is responsible: the use of wood with known origin, the use of certified wood and the certification of company's chain of custody.

The majority of the respondents believe that the involvement of their company in responsible activities could bring a benefit to the company, in the sense that this can create a image of a sustainable business (figure 5). 18% of the respondents consider that they could get no benefit from practicing this kind

of behaviour, while 10 companies (8%) admit that they practice these kind of activities in order to "green-wash" their image.

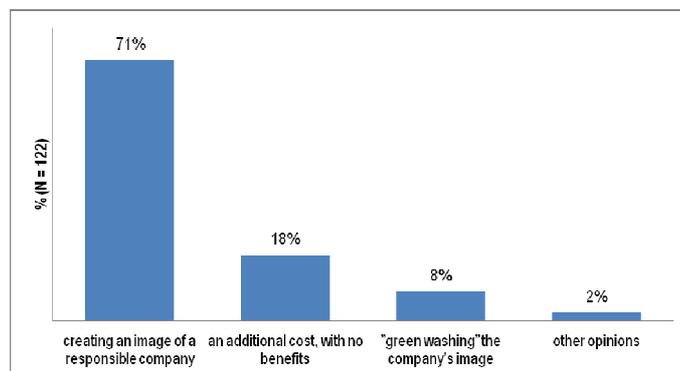


Figure 5. The distribution and frequency of the benefits of companies, in case of adopting a socially responsible behaviour

5. CONCLUSION

At the global level, business' socially responsible behaviour is becoming more and more significant, as responsible actions could contribute to combating deforestation, decrease or ideally stop illegal logging, control corruption or could have an important contribution in solving problems existing within the forestry sector.

In Romania, the first steps in adopting CSR practices have been taken by large and multinational investors, as they are the ones having the financial resources and this specific management culture [12, 13].

This study has aimed to analyze the involvement in socially responsible activities of small and medium forest enterprises operating in wood processing sector in Suceava County.

It has been revealed that 66% of the respondents believe that their main duty is to offer jobs to local community, while only

25% consider as their responsibility the involvement in social activities in general. This shows that the respondents do not recognize a general need for socially responsible activities. Due to the fact that the highest percentage for a carried out activity has been recorded for complying with environmental laws, it can be concluded that the respondents do not have enough knowledge on the concept of CSR.

The conclusion here is that they struggle with honouring the laws, consequently they don't do anything more beyond the law. Therefore, the majority of the companies are not ready to take full responsibility towards environment or fighting against illegal logging for example.

Still, at least at the declarative level, 45% of the respondents admit that solving social and environmental problem should not be only the sole responsibility of government, but also business sector responsibility; 41% of the respondents believe that all interested stakeholders should be engaged in this.

Concerning the wood procurement policies of the companies under study, the results show that only 18 companies (22%) have a specific FSC wood procurement policy and only 4 companies have the chain of custody certified.

As regards the most common socially responsible activities carried out by the companies, it seems that the majority of the companies stick to the philanthropic dimension of CSR. Thus, the voluntary actions are materialized in donations. It is to be noted that respondents are focused only on two groups of stakeholders: employers and local community and consequently their actions are targeted only to these groups.

At the same time, there are not mentioned many activities targeted towards environment (no company has implemented an environmental management standard for example) and therefore, it can be concluded that environmental protection is not seen as having a great importance for the studied companies.

Summing up, while no over-generalization can be drawn, the numeric quantifications offer a general imagine of the perception of responsible activities of the companies operating in the wood processing sector in Suceava County. A limitation of the study could be respondents' biased answers, either due to a possible attempt to present a positive image of their company, or due to their lack of time.

Further research is needed for the generalization of the results for the whole sector, at the national level.

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