

FACTORS INFLUENCING THE LEVEL OF ENGAGEMENT OF ROMANIAN SMALL BUSINESSES IN SUSTAINABLE DEVELOPMENT: A CONCEPTUAL MODEL

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Abstract

The aim of this paper consists in highlighting the manner of elaborating a conceptual model that enables the assessment of the engagement dimension of Romanian small and medium enterprises (SMEs) from the perspective of specific practices in sustainable development.

A survey of 100 Romanian SMEs was conducted. The main research method used in this approach was the stepwise multiple regression. A mathematical model including the firm and the entrepreneur as significant factors in measuring Romanian SMEs' level of engagement in sustainable development is proposed.

Keywords: conceptual model, enterprise engagement, influence factors, innovative sustainable development

JEL Code: L26, Q55, O35

1. Introduction

Sustainable development directs its efforts towards the radical change of the current practices approached by the business environments, with destructive effect on the long term, by exaggerated consumption of natural resources. In this context, the social responsibility standards and models may represent a possible solution for the difficult problems small and medium enterprises (SMEs) are confronted with on the market. At the European level, a trend among SMEs aimed at balancing market instability by achieving more stable interpersonal relationships with employees, business partners and customers can be noticed. At the same time, the existence of pressure of large companies, as well as their unstable position on former traditional markets, force small enterprises to get involved in strong partnerships and in personal relationships with various stakeholders that provide trust.

The sustainable development concept, which underlying principles are to better the quality of life of all living creatures, needs immediate attention, but its outcomes may only be felt in the long term. Thus mankind must eventually find the imperative equilibrium of our common advance “in as many atmospheres”, as Eliade (1998) said: “searching the rising joy of living the life at the level of all existing and future generations”.

Awarded with the Nobel Prize in Economic Sciences, Amartya Sen associated the concept of sustainable development with that of freedom (McDonald, 2006). Thus he assigns value to money only to the extent to which it can ensure people the following facilities (Sen, 2004):

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- Economic freedom with an impact on their lives' well-being;
- Social freedom which eliminates the uncertainty feeling; a possible example in this context may be unemployment insurance;
- Political freedom which offers the individual the chance to significantly influence political decisions.

From Romania's perspective, it can be noted that the evolution of sustainable development reporting seems to improve. In 2006 only 24% of the first 100 companies in Romania, according to their turnover, reported some aspects of sustainable development, at the moment their number has risen to 34% (KPMG Romania, 2011). Thus Romanian companies, in general, begin to demonstrate awareness on the importance of communicating this kind of preoccupations through the impact which they can have on clients, investors and other stakeholders.

An example that sustains the previous statement is the Holcim Romania Company, which proves its annual contribution to the overall society sustainable development by publishing a profile report. Being at the 6th edition of the Sustainable Development Report, Holchim Romania states that in the 2009 – 2010 period the investment level has risen to over 60 millions euro, the largest part of it being distributed for the modernization of production units and for business development through the best environment friendly technologies in the industry and natural resources conservation (Icleanu, 2011).

2. From sustainable development to social responsibility

In a sustainable development vision, firms must get involved in community problems, and be sensitive to social needs. The company's goal is redefined, from one that is purely economic, targeting individual profit, into a social one, targeting the public well-being. The company not only has to make profit, to produce goods and services, to offer jobs, to pay taxes, but also to do social good (Petersen and Minjoon, 2009).

At the beginning of the '90s, one of the most important businessmen in Japan, famous for his contribution to the development of management science, Konosuka Matsushita, reminded in one of his works about the firm's social mission, saying: „The industrialist's mission is to overcome poverty, to release the society, in general, of misery and to bring its welfare. Business and production have as goal to enrich not only the shops and factories of the respective firm, but the entire society” (Murgescu, 1982).

Up to this moment, no specialty work has advanced an exact date at which the corporate social responsibility (CSR) concept appeared and neither the first informal currents that advertised it. What is certain is the fact that social responsibility appears in USA, at the beginning of the last century, by achieving some individual philanthropic actions. Thus the history recognizes the attitudes of the richest people in the world: Andrew Carnegie and John D. Rockefeller, which by donating some impressive amounts of money have contributed to solving some problems the society at that time was confronted with. Henry Ford's actions, whose social programs aimed to pay its employees at a very high level, can be included in the same register. Andrew Carnegie considered that: “The human being must spend the first third of his life studying, the second for earning as much money as possible, and in the last one he must donate all his wealth for helping the others”. Another consideration “the man which dies rich, dies without honour”, attributed to Carnegie, describes even better the American philanthropic phenomenon.

In our days this phenomenon is found in the project named The Giving Pledge, initiated by Warren Buffett and Bill Gates, which aims to attract the participation, by as many donations as possible, of the richest Americans. Thus it is trying to convince the 400 American billionaires from the Forbes ranking to donate, during life or after death, at least 50% of the belongings they detain. It is expected that the sum collected by this project to rise up to 600 billions dollars, because the total value of the wealth detained by the American financial elite is estimated as being of 1.2 trillions dollars (Tone, 2010).

At the academic level, it seems that this concept appeared first at the beginning of 1950s (Maignan and Ferrell, 2004). Others assume that CSR as a field of study began at least 6 decades ago, when Fortune magazine in 1964 published an article about business people's responsibility regarding the consequences determined by their actions in a much wider sphere than the one that covers the declared profit and losses (Kolodinsky et al., 2009).

Therefore, CSR has come a long journey, from a phase eminently based on obtaining profit, to a phase characterized by the inclusion of CSR specific actions into business (Fig. 1.).

The specialists identify the following factors as being true forces that stimulated the CSR extension process (UNIDO, 2005):

- Information technology revolution;
- Globalization process, existence of international commerce, consumers' rights consolidation (Jamali and Mirshak, 2007);
- Increase of public disbelief towards free market institutions.

According to a new research presented by the Global Reporting Initiative (GRI), sustainability reporting has become an essential instrument by which the business and governmental environments can rebuild trust and safety, after the economic collapse (CSR Romania, 2010).

The survey, carried out in 2010 among 5.000 users and authors of sustainable development reports, was requested by the Global Reporting Initiative (GRI) and accomplished by Futerra Sustainability Communications, SustainAbility Ltd. and KPMG. The survey's goal was to identify the reasons for which both the persons that use and those who prepare sustainable development reports appreciate the reporting process. According to the survey, 65% of the respondent companies indicated as the main reason for reporting on their performances in the field of sustainable development the improvement of their internal processes. 97% of the persons that read this kind of reports said that reporting itself is an indicator of the fact that a company improves its performance in the sustainable development field.

Social responsibility can attract a multitude of advantages for the company, among which can be mentioned: reputation and image improvement; brand loyalty improvement; growth of the enterprise's market share; attracting and keeping valuable employees (Chiu et al., 2005). On the short term, all these activities imply costs for the company, but on the long term the company only has to gain; a gain that should be understood not only in numbers, but more as an intangible gain – consumers' trust and consolidation of a favourable image among them. The responsibility towards society and the community can become a very strong differentiation element for companies as consumers begin to be more receptive to the messages of companies preoccupied by society's sustainable development than those which are passive to this aspect and are perceived as being motivated only by the achievement of material advantages.

In many countries efforts taken for regulating the social reporting framework are recorded:

- France has introduced a regulation by which companies are required to report the measures they have taken regarding the social and environmental consequences of their activities;
- Denmark preferred to adopt in May 2008 an Action Plan for CSR, which continues the Government's policy regarding sustainable development and explicitly draws the reporting lines. It is not a law, but has the force of a law for all that wish to align to the responsible policy of the Danish Government (Ducu, 2008);
- Since 1985, in Portugal the companies are required by law to emit an annual social report regarding the human resources management, the effectiveness of social investments and the actions of improving the employees' quality of life;
- In Belgium exists the compulsoriness for companies with more than 20 employees to include a "social balance" that takes into account the nature and evolution of human resources. This document must be sent to the National Bank of Belgium, because depending on the stakeholders' requests, it is responsible, since 1995, for the distribution of annual reports, based on the social reports of Belgian enterprises.

Moreover, in the fall of 2010 the European Commission launched a process of online consulting about the measures that can be taken for improving the companies' transparency regarding the non-financial performance (social and environmental). Thereby it is desirable to advance a legislation that should impose the compulsoriness of CSR reporting. All categories of stakeholders are invited to participate to consultation, even companies, non-governmental organizations and consumers from our country, which can express their opinions regarding the necessity of some European norms for CSR reporting. In the Communication about "An integrated industrial policy, in the globalization era", from 28 October 2010, the Commission appreciates that a higher transparency regarding the social and

environmental information would grow the responsibility level of European companies and would have a favourable impact on public opinion trust. Under this aspect, it is desirable “to advance in 2011 a new legislative initiative in the CSR field, which should approach themes like transparency regarding the information about corporate governance, environmental impact, social impact or that related to the workforce.” (EC, 2010).

At the same time, the society expects the business environment to assume the social responsibility, to support it for obtaining welfare (Jain et al., 2007). Adopting such activities will put the respective enterprise among the most targeted by the large public both as an employer, as well as a supplier of goods and services. Therefore, the largest part of the literature agrees with the fact that corporate social responsibility is an efficient method for bringing advantages for all the implied parts, more exactly both to the company and to all categories of public with which this comes into contact. Therefore next to the expected economic performance, the enterprise should pursue the achievement of some social and environmental results, in its battle for value creation on indeterminate term (Yongvanich and Guthrie, 2006).

The marketing’s role in this process is that of detecting trends and of anchoring the company in its environment.

3. Material and methods

Social responsibility should be an integral part of a company’s values and in our country it becomes a more and more present phenomenon. Although we cannot speak yet about considerable performances in the mentioned domain, it still began to evolve and the concrete activities, although not very numerous, have enjoyed a lot of popularity.

The present study represents an inductive approach of the situation found in three different geographical contexts, Canada – Tunisia – Romania, regarding the pro-sustainable development behaviour of the investigated SMEs through the preliminary research conducted in Romania.

The article attempts to offer an overall image of the sustainable development practices, of the social responsibility exhibited developed by the investigated enterprises from the local small business area. The final main objective is represented by the presentation of a comparative analysis Canada – Tunisia - Romania regarding SMEs engagement in sustaining sustainable development, focusing on the situation from our country. In order to accomplish this final objective, which is not object of the current paper, it has been tried to obtain some information regarding the behaviour of Romanian enterprises from the perspective of sustainable development, and later, based on the results of the research conducted by foreign researchers, to make a comparison between the approaches of the problems imposed by the adoption of sustainable development principles in the context of three different cultural models.

The sampling method used was non-random, based on judgement, therefore the sample is not representative and the obtained results are valid only at the level of the investigated sample. The survey method was used to conduct this research. The research instrument consisted in a complex questionnaire structured on five modules, with the aim of obtaining information that should respond to this study’s proposed objectives. Among these, the most significant ones are:

- Identification of the entrepreneurs’ knowledge level regarding the practices assumed by sustainable development;
- Identification of the main strategic objectives which the Romanian entrepreneurs take into account for their enterprises’ development;
- Determination of the existence of a clear, formal and known strategy, followed by the managerial team in conducting the activities;
- Identification of the main reasons that stood at the basis of the adoption of engagement practices in sustainable development (economic, social, environmental);
- identification of the current state of the environmental assessment and social assessment of Romanian SMEs;
- Determination of the entrepreneurs’ opinion regarding the manner in which sustainable development practices influence their economic performance;
- Obtaining information regarding the marketing and innovation activities, in the context of social and environmental protection;

- Highlighting the extent to which there exist activities conducted by SMEs from the need to support culture, humanitarian causes, regional development;
- Emphasizing the extent to which there exist employees dedicated to fields like: environmental protection, human resources development and community activities.

We do not present here the detailed elements regarding the methodology, starting from the preliminary investigation phase, which contains the hypotheses (Spircu et al., 1994) that stood at the basis of the research and at the same time, at the basis of formulating the questions from the common developed questionnaire, up to the research report elaboration.

The sample includes 100 investigated firms from the local business environment, SMEs, from the list of ecologic producers, and others.

In the end, the advanced conceptual model regarding sustainable development is described.

In the present paper a slightly different approach is proposed, focusing more on the enterprise and on the entrepreneur's role as a decision factor for running the activity in good conditions, taking at the same time into account the influences of the specific elements of the environment in which the enterprise operates.

For achieving the proposed points, the following themes were analyzed, one at a time:

1. Entrepreneurs' characteristics;
2. Enterprises' characteristics – from the perspective of environmental policies, community, social and human resources policies;
3. The influence factors specific to firm's environment, at the microenvironmental and macroenvironmental levels, which boost the adoption of sustainable development principles.

As a methodology for data analysis, the stepwise multiple regression was used for modelling the SMEs engagement in sustainable development.

4. Results and Discussion

This paper aimed to present the approach of elaborating the proposed conceptual model regarding the sustainable development practices. For developing this model, we started from a review of the specialty literature according to which sustainable development is based on three pillars, more exactly: economic, social and environmental protection.

A slightly different approach was proposed, focusing more on the enterprise and on the entrepreneur's role as a decision factor for the deployment activities that lead to the betterment of society and those specific elements to the enterprise's environment which influence their sustainable development practices.

The equation of the proposed conceptual model regarding pro sustainable development behaviour was developed starting from a linear equation of the type (Eq.1):

$$Y = const + a_1 * I + a_2 * A + a_3 * M \quad (1)$$

where:

Y – size of enterprise's engagement in sustainable development;

$const$ – constant;

a_1 – unstandardized coefficient that indicates the importance of the enterprise's behaviour from the perspective of its preoccupations for sustainable development;

I – score for the enterprise oriented to sustainable development;

a_2 – unstandardized coefficient that indicates the importance of the behaviour of the entrepreneur who is preoccupied by sustainable development principles;

A – score of the entrepreneur oriented to sustainable development;

a_3 – unstandardized coefficient which indicates the importance of the environmental dimension regarding the influence of sustainable development practices;

M – score of the environment that influences sustainable development practices.

The arithmetic mean of the obtained responses regarding each variable underlined as being relevant was computed; as a result a score was obtained for each respondent.

I. It was intended to determine the existence of sustainable development preoccupations at enterprise level from the perspective of three coordinates:

- Environmental protection;
- Human resource;
- Civil society.

In a similar way for each coordinate the arithmetic mean of the obtained responses was computed and a score was obtained. The next step was represented by the calculation of the arithmetic mean of the three means obtained for each coordinate.

II. From the entrepreneur's perspective, the questions that could underline the most relevant information regarding their orientation to sustainable development practices achievement were considered.

As in the case of the enterprise dimension, for the entrepreneur as well the arithmetic mean of the obtained results was computed and a score was obtained.

III. In the case of the enterprise's environment dimension, including micro and macro environmental elements, some variables were selected as being the most relevant. Similarly to the calculation manner used in the previous cases, in this case the arithmetic mean of the obtained responses for the selected set of statements was computed as well.

Thus for each dimension a score was obtained, based on which using the SPSS software, it was possible to underline the correlations between the three discussed dimensions (Table 1).

In conclusion, the advanced equation based on the penultimate table (Table 2) is reduced. At the same time, after applying the stepwise multiple regression (Table 3), the enterprise's environment dimension is excluded, because it does not seem to have any influence. Therefore, the equation has the following form (Eq.2):

$$Y = \text{const} + a_1 * I + a_2 * A \quad (2)$$

Using the data from table 2, the equation above becomes (Eq.3):

$$Y = 1,919 + 0,304 * I + 0,262 * A$$

5. Conclusions

The final goal of the conducted research was to see the manner in which sustainable development is perceived at the level of Romanian companies, how large is their engagement towards respecting the basic principles of sustainable development and which are the enterprise's environmental influences in its achievement. Therefore, the equation that enables the measurement of the dimension of the SMEs engagement in specific sustainable development practices was determined.

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Figures and Tables

Table 1. Correlations regarding the three dimensions of the proposed model (Pearson Correlation)

	DDMED	MEDMED	INTRMED	ANTRMED
DDMED	1.000	.173	.481	.455
MEDMED	.173	1.000	.344	.203
INTRMED	.481	.344	1.000	.578
ANTRMED	.455	.203	.578	1.000

Table 2. Standardized and unstandardized coefficients of the proposed equation

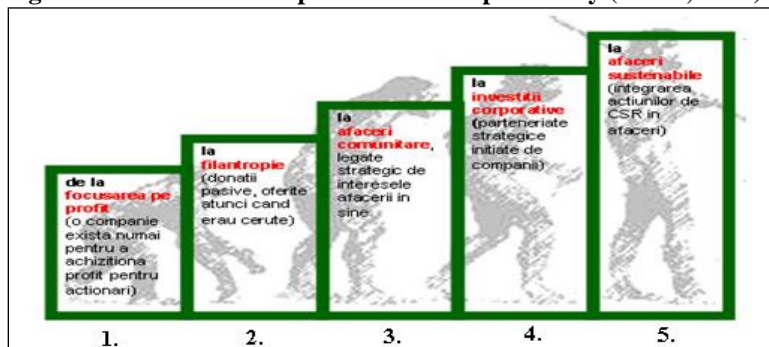
Model	Unstandardized Coefficients	Standardized Coefficients
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		B	Std. Error	Beta
1	(Constant)	2.284	.303	
	INTRMED	.447	.087	.481
2	(Constant)	1.919	.332	
	INTRMED	.304	.104	.326
	ANTRMED	.262	.110	.267

Table 3. Exclusion of the environment variable

Model		Sig.	Partial Correlation	Collinearity Statistics Tolerance
1	MEDMED	.930	.009	.882
	ANTRMED	.019	.248	.666
2	MEDMED	.938	.008	.881

Figure 1. Evolution of corporate social responsibility (Smith, 2008)



Legend:

1. from *focus on profit* (a company exists only for acquiring profit for the shareholders)
2. to *philanthropy* (passive donations, offered only when they were required)
3. to *community businesses*, strategically related to business' interests
4. to *corporate investments* (strategic partnerships initiated by companies)
5. to *sustainable businesses* (integration of CSR actions into businesses)