

## DOES SIZE MATTER IN ORGANIZING CORPORATE SOCIAL RESPONSIBILITY (CSR) IN ROMANIAN FIRMS?

**Casiana-Teodora Ille\***

*Doctoral School of Economics, Faculty of Economics and Business, University of Oradea, Romania*

[casiana.ille@gmail.com](mailto:casiana.ille@gmail.com)

**Abstract:** *The concept and practice of CSR have displayed chameleonic features through time and nowadays the level of involvement, planification, organization and evaluation of CSR incentives differ from region to region and between companies. There is still need to shed light and construct a unitary view on the subject both in theory and practice. Companies' role in society has expanded with the shifts of power in the globalization process and their social impact can be seen more than ever. Business entities now need to explain how their actions affect the economy, the environment, and society overall due to the release of Corporate Social Responsibility (CSR) Reports and as well as the increase in academic interest in the topic, fact that puts them in the spotlight both regionally and internationally. Although the notion of CSR is still relatively new in Romania and was only introduced at the beginning of the 1990s, it has been a prominent topic in literature and practice during the past few decades. Nevertheless, Romanian CSR practice is not well supported by empirical evidence. Companies can have a significant impact on the progress of a developing country. Therefore, through this research we aim at determining the state-of-art of CSR incentives in Romanian companies, the level of involvement, organization, budgeting, strategies and evaluation in connection with firm size and capital ownership. This empirical study consists of research that is part of a broader quantitative analysis of CSR focusing on the Romanian context. In this study we provide insights regarding the involvement and organization of CSR incentives of companies with the purpose of testing the existence of a relationship in connection with firm size taking into consideration the number of employees, capital ownership and firm age.*

**Keywords:** CSR strategy and organization, Romanian companies, Romanian firms survey

**JEL classification:** M14, D22.

### 1. Introduction

Since ancient times, the concept of CSR has been shaped through several tendencies and it is still a developing area both in study and practice amidst a lot of confusion (McWilliams & Siegel, 2011; Garriga & Mele, 2004) due or maybe despite the considerable broad spectrum of approaches.

Firms have begun to take on obligations that were previously thought of as governmental activities as the role of companies has expanded (Scherer & Palazzo, 2008). Due to the fact that these activities do not correspond to the initial economic role of the business in society as stated by the theory of the firm, many economists are critical when it comes to studying this topic (Scherer & Palazzo, 2011). Additionally, it goes beyond what is perceived to be

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\* Corresponding author: Casiana-Teodora Ille

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corporate responsibility by society (Whetten & Mackey, 2002). A growing number of businesses are planning CSR events that have both economic and social benefits (Kramer & Porter, 2011) and this is now leading in a new meaning rather than the traditional view of CSR, which was only confined to philanthropy before shifting to business-society relations with regards to the actions carried out by companies meant to solve societal problems (Ismail, 2009).

The pressure that has been applied lately on companies from civil society in general, by governments, and all the other groups of interests leaves no debatable issue regarding the importance of creating a rather sustainable CSR strategy for companies, regardless of their size. The question is whether companies should invest or how much should invest in building a socially responsible strategy.

Romania is still a developing country and even though socially responsible behaviors have been displayed by the companies since its early stages of democracy, the practice of CSR is still relatively new and insufficiently supported by empirical data.

In recent decades, CSR has gained popularity on a global scale both in the academic and in the business field and even though to a lesser extent, the Romanian literature has followed international trends.

## **2. Literature review**

### **2.1. CSR conceptual framework**

CSR has known several transformations through time and literature is still unclear and inhomogeneous. Since it was firstly defined in 1953, the concept has known different development phases.

The origins of CSR may be traced to ancient Rome (Chaffee, 2017), while the 1950s and 1960s mark the beginning of the modern era of social responsibility. CSR in the 1970s was primarily focused on a managerial perspective, with an emphasis on labor and safety rights (Agudelo, et al., 2019). The term of business ethics entered the business vocabulary in the 1980s, paving the way for the operationalization of CSR (Cochran & Wood, 1984).

The next decade had seen the globalization of CSR, and in 1998 Elkington introduced the idea of "The Triple Bottom Line," which is a framework that balances a company's influence on society, the environment, and the economics. According to Elkington (1998), performance can be attained through successful, long-term relationships between the public and private sectors as well as amongst all stakeholders. The academic publications' strategic approach to CSR gained momentum in the 2000s as it was acknowledged, developed, and put into practice. In the 2010s, the emphasis was on creating shared value (Werther & Chandler, 2005; Agudelo, et al., 2019). Large corporations have gradually begun to apply CSR practices, such as making public commitments to follow regulations, investing in local communities, encouraging stakeholder participation, and routinely disclosing social and environmental performance to the public. CSR has expanded past, the realm of charitable giving and charitable deeds, both philosophically and practically. CSR has developed into a proactive method for incorporating stakeholders' interests, preserving competitive advantage, and balancing short- and long-term goals (Badulescu, et al., 2016).

### **2.2. Romanian Context**

CSR is still in development in Romania and is mainly centered in the sector of multinational corporations. The initial concept became popular in the 1990s. Until now, major corporations have incrementally developed a code of conduct for ethical behavior that has been adopted from the parent company and instated locally (Săveanu, et al., 2020).

The term "CSR" undoubtedly relates to the activities of large, multinational corporations; however, there are opinions that it can also refer to other enterprises, regardless of their size, origin, or stakeholder aims (Badulescu, et al., 2016).

Studies on how SMEs contribute to social responsibility and sustainability show that there is growing interest in this area, with managers' attitudes toward the role of business in society and the scale of enterprises serving as the primary drivers of this interest (Badulescu, et al., 2018; Saveanu, et al., 2019). Specific cultural factors and beliefs also have an impact on the growth and coordination of Romanian CSR approach to the European way. The focus on CSR has been raised both for academics and practitioners and the Romanian context follows international trends (Ille, 2021).

Obrad, et al., (2011) examined how Romanian businesses engage in socially responsible activities and the study found that there are several problems with how these businesses conduct CSR activities, most notably those relating to transparency and the sharing of CSR documentation. Small and middle-sized companies could be hesitant to participate in CSR activities due to their limited human and financial resources, compared to large corporations. SMEs are further impacted by the unstable business climate, which excessively prioritize their own survival and short-term goals at the expense of long-term strategies, lack the expertise (or contacts) to incorporate social responsibility into day-to-day operations, lack the assurance that they will see immediate and noticeable results, and find it challenging to quantify the intangible benefits (Aston & Anca, 2011). Corporate governance includes CSR activities, and foreign ownership is linked to improved CSR implementation (Swandari & Sadikin, 2016). Also, according to Oh et al., (2011) foreign ownership has a favorable impact on CSR. Some scholars also believe that firm size has also an impact on CSR strategies. For example, Swandari and Sadikin (2016) argue that many large businesses have effective CSR programs that are capable of empowering the community. Zbucea and Pinzaru (2017) also demonstrate that CSR strategies are related to the size of the company. The authors highlight the fact that some studies show that SMEs are more motivated for CSR involvement than large companies although other studies suggest that CSR models for CSR are not set in a strategic framework, issue that the forementioned authors suggest that could be resolved in time if more empirical documentation regarding the strategic value of CSR is to be gathered. Large companies have at their disposal more financial and human resources when compared to SMEs.

### **3. Purpose and objectives of the research**

In this research, we aim to assess the influence of firm size and capital ownership on the level of CSR involvement on a sample of companies that run businesses in Romania. Therefore, with the help of a questionnaire, we have conducted a quantitative analysis that seeks to determine if firm size and capital ownership have an influence on the level of firm involvement in socially responsible actions.

We have set the following objectives in this study:

- 01. Investigate whether the size of the company influences company's involvement in CSR activities;*
- 02. Determine if CSR strategy is influenced by the size, capital ownership and firm age;*
- 03. Assess whether a correlation exists between the size of the company and the CSR budget;*
- 04. Examine the impact of firm size on CSR organization and evaluation.*

In order to reach the objectives that we have proposed, we have performed a quantitative analysis on a sample of companies that conduct business in Romania.

#### 4. Methodology

Data used in the current analysis was gathered via an online survey at the beginning of 2022. The instrument consists of 20 questions and 71 responses were gathered. This research is based on five of the questions in the survey. The questionnaire was designed to profile the CSR efforts of enterprises operating in Romania. The survey was sent online via email in both English and Romanian (but predominantly in Romanian), and it consists of questions in a range of formats, including multiple-answer, single-answer, and five points rating scales. We operated SPSS for the statistical analysis.

All of the 71 companies involved in the study run their businesses in Romania and almost half of them (42.3%) have Romanian capital; 31% are foreign owned and 26.8% have mixed capital. Regarding the type of the organisations included in the study, 92% of the respondents are part of a firm, 5.6% of the respondents are NGOs and 1.4% public institution. Most of the responses were gathered from SMEs (more than 60% of the responses) but also from large firms that have between 250-500 employees (38.9%).

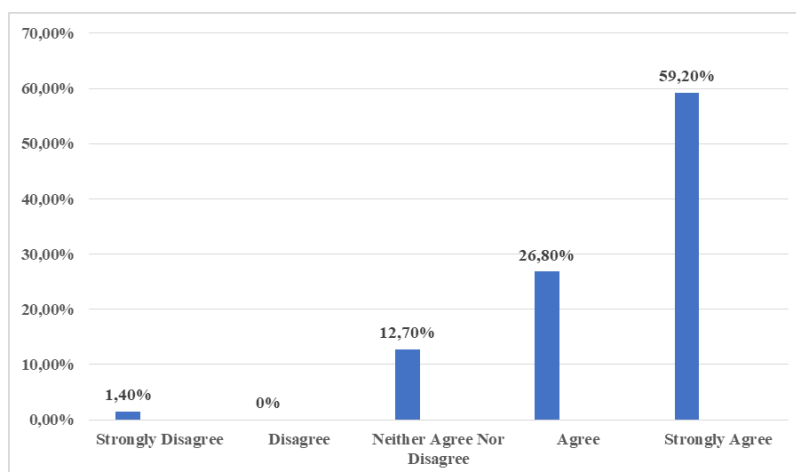
The questionnaire was designed to collect information from a variety of business types across industries because the topic of the study affects all spheres of economic activity. However, almost half of the surveyed businesses (47.9%) engage in the delivery of services, 11.3% in the retail sector, and 9.9% in production. The survey included both new and established businesses, with a smaller percentage of new businesses operating for less than two years. More than half of the surveyed companies (57.5%) have been in business for more than 10 years but a considerable percent also between 2 and 10 years (36.6%). A small percent is represented by new companies that run business for less than 2 years (5.6 percent).

#### 5. Findings

In this paper we analyze the influence of firm size and capital ownership on the level of CSR involvement and organization on a sample of companies that run businesses in Romania.

##### 5.1.CSR involvement

As part of the study, the respondents were asked to rate on a five-point scale the following affirmation: “The company I work in is socially responsible”, where 1 corresponds to ‘strongly disagree’ and 5 corresponds to ‘strongly agree’. The results can be observed in Figure 1.



**Figure 1:** “The organisation I work in is socially responsible”

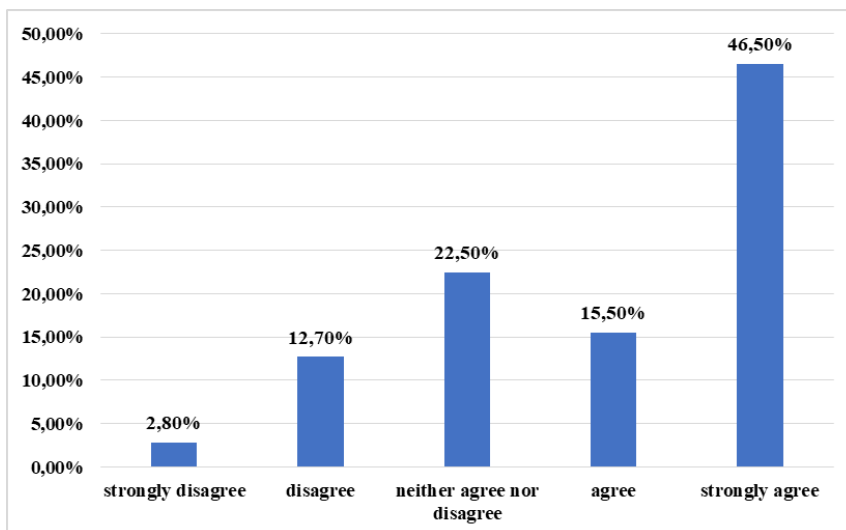
Source: author’s calculations based on dataset

Therefore, when asked if their company is socially responsible, only 60% of the respondents strongly agreed to the affirmation, less than 30% agreed, while around 13% were neutral and 1% strongly disagreed.

The relationship between the size of the business and the degree of social involvement has been analyzed. Based on the replies from the companies involved in the study, correlations have been tested. There is a significant correlation between size of the enterprise and the level of CSR involvement. A higher number of employees is correlated with a higher social involvement (Pearson correlation ( $r$ ) =0.357, Sig=0.002). The type of capital is not related with the level of involvement.

## 5.2. CSR strategy

The evidence collected through the questionnaire reveals that approximately 15% of respondents lack a clear CSR strategy, while about 60% of respondents do have a clear CSR strategy as depicted below in Figure 2.



**Figure 2:** "Our organization has a clear CSR strategy"

Source: author's own work

The relationship between the organizations with a clear CSR strategy and the type of capital, the number of employees, and the age of the company has also been examined. The analysis's findings demonstrate that the presence of distinct CSR strategies is influenced by the type of capital: enterprises with foreign capital are more likely to have one (Pearson Chi-Square=24.753, Sig=0.002). However, given the limited number of replies in each category, these findings should be interpreted with caution.

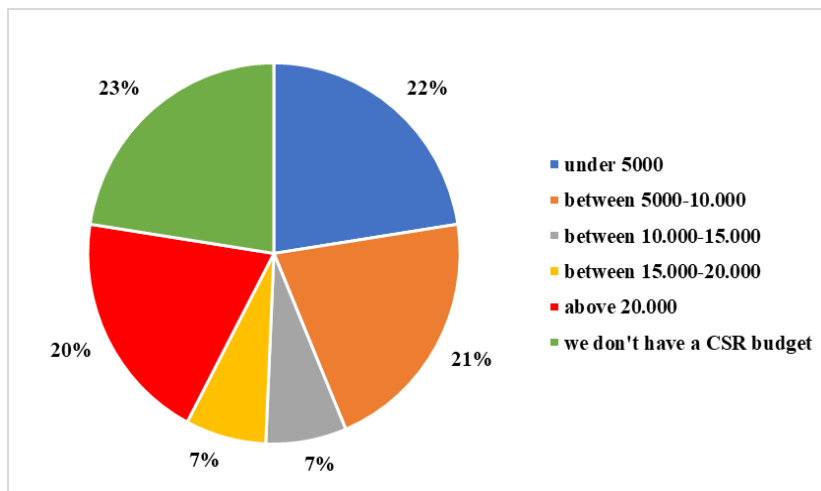
Outcomes of the analysis reveal that the presence of clear CSR strategies is influenced by the number of employees: companies with higher numbers of employees are more likely to have a clear CSR strategy (Pearson correlation  $r$ =0.435, Sig=0.001).

The question arises whether the age of the company also influences the existence of CSR strategies, therefore this correlation has been tested. The result shows that the age of the company does not influence the existence of clear CSR strategies on our sample (Pearson Correlation ( $r$ ) = 0.032, Sig=0.790).

As a consequence, while the age of the company has almost no influence on the existence of clear CSR strategies, the type of capital and the number of employees do on our sample.

### 5.3. CSR budget

According to the questionnaire results, 23% of the examined companies do not have a specific CSR budget, and 22% of them invest less than 5000 euros annually in CSR activities. On the other hand, an additional 20% of the sample enterprises invest more than 20.000 euros annually on CSR initiatives. Findings are depicted in Figure 3 below.



**Figure 3:** CSR budget in euros of the sample companies (%)

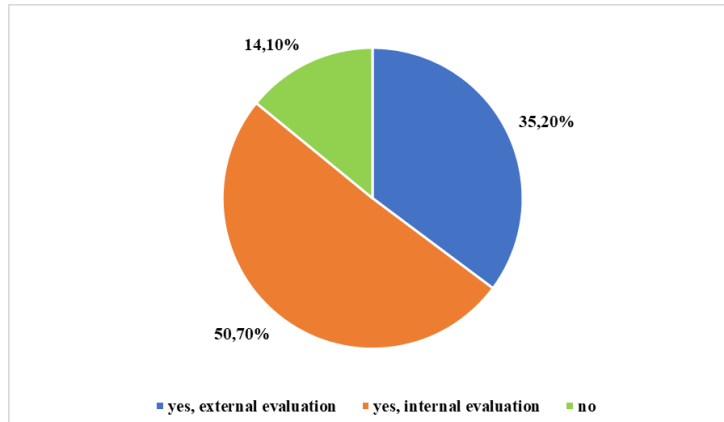
Source: author representation based on dataset

Analysis shows that as far as the CSR budget of the sample companies is concerned, there is a significant positive correlation between the number of employees and the CSR budget. (Pearson Correlation  $r=0.584$ ,  $Sig=0.001$ ).

### 5.4. CSR activities organization and evaluation

Companies that participated in the survey are more likely to spontaneously participate in CSR incentives. According to analyses, Romanian businesses are more likely to engage spontaneously in CSR activities, by company management, while companies with foreign capital ownership organize CSR by HR departments. While large organizations arrange CSR activities through HR or CSR departments, SMEs are more likely to engage in CSR activities on an ad hoc basis by the management of the company.

According to the questionnaire responses, 14 percent of the organizations employ external evaluation, whereas 50% of the companies measure their CSR operations internally. 35 percent of businesses do not evaluate the effects of their CSR initiatives as seen in Figure 4.



**Figure 4:** Responses to the question: “Do you measure the impact of your CSR activities?”  
Source: author’s representation based on dataset

The analyses of the questionnaire responses show that the average number of employees is significantly higher for firms who measure their CSR impact ( $M=3.13$ ,  $St. Dev.=1.087$ ) compared to those who do not ( $M=2$ ,  $Std. Dev.=0.957$ ),  $t(55.02) = 4.526$ ,  $p < 0.001$ .

We also questioned going further with the research whether the type of capital ownership influences the evaluation of the impact of CSR activities. According to analyses, Romanian-owned businesses are less likely than international ones to gauge the efficiency of their CSR initiatives. In order to determine whether large firms or SMEs are more inclined to monitor the impact of their CSR incentives, we looked into the interest toward measuring the impact of their CSR efforts. The findings indicate that SMEs are more likely to use internal evaluation while large enterprises are more likely to utilize external evaluation when assessing the impact of their CSR initiatives.

## 6. Conclusion

In this study, we have examined the broad international context of CSR as a concept with a brief literature review, providing insights on the specific case of Romania. This paper contributes to the existing literature by providing empirical research on the topic of CSR in a developing country. We have focused our research on the Romanian context, where the concept is still relatively new and it became known in the '90s when international corporations made way to the new democracy and social responsibility was perceived as philanthropic activities and sponsorships.

The empirical evidence in this study is based on the responses from 71 companies operating in Romania to five of the questions in the applied questionnaire. The majority of the businesses are Romanian-owned companies and SMEs constitute the majority of the sample (taking into consideration the number of employees). Most of the of the companies involved in the study are socially involved.

As a result of the analyses, we have determined that there is no relationship between CSR activity and the sample's capital ownership or firm age. However, several correlations between the number of employees and CSR involvement have been tested. According to the evidence, larger companies engage in CSR initiatives at a higher rate than SMEs, and CSR participation increases with the number of employees (*Objective 1*).

The outcomes of this research show that the presence of defined CSR strategies is influenced by the type of capital; businesses with foreign capital are more likely to have such strategies (*Objective 2*). However, due to limited number of replies in each category, these findings should be interpreted with prudence. This finding is supported by theory, as

literature shows, foreign corporations introduced CSR to Romania, where it is still in its development phase and mostly seen as a marketing or public relations technique, according to Obrad, et al. (2011).

The presence of defined CSR strategies is also influenced by the size of the company; companies with higher employee numbers are more likely to have such strategies. However, research indicates that while the age of the organization has little influence on the existence of defined CSR initiatives, the type of capital and the number of employees do (*Objective 2*). We have determined that the number of employees and the CSR budget are positively correlated (*Objective 3*). Most of the businesses involved in the survey have maintained their CSR budget constant over the last three to four years.

The outcomes of this research show that Romanian businesses are more likely to engage in CSR activities on an ad hoc basis, under the direction of company management, whereas businesses with foreign capital arrange their CSR initiatives through HR departments. While SMEs are more likely to participate voluntarily in CSR initiatives, large corporations arrange their activities through HR and CSR departments (*Objective 3*).

According to research, we have ascertained that companies who assess their CSR impact have much more employees on average than those that do not. According to analyses, Romanian-owned businesses are less likely than international ones to measure the efficiency of their CSR initiatives. When determining the impact of their CSR operations, large companies are more inclined to employ external evaluation than SMEs, who are more likely to use internal evaluation (*Objective 4*).

One of the major limitations of this research is the small sample size of responders. In order for the respondents to deliver the best response to the questions, we must also take their availability into account. However, we believe that the information from this study is significant for academics, professionals, and decision-makers. The findings add to the existing literature and offer empirical insights that are helpful in advancing the topic's conceptual understanding as well as it constructs developments for further study. CSR in Romania and abroad still needs to be clarified, and additional empirical study can help to do so. Consequently, we consider that a larger study with a representative sample of businesses in Romania and the surrounding area would be relevant.

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### Bio-note

Ille Casiana-Teodora is a PhD Student in the Doctoral School of Economics, Faculty of Economics and Business, University of Oradea, Romania. As a doctoral researcher, ILLE Casiana-Teodora has focused on social responsibility of organisations, conducting a study that focuses on the involvement of both large companies and small and middle-sized enterprises in CSR activities and their impact on economic, financial and entrepreneurial education. She has published a number of articles in international journals and participated in numerous international conferences disseminating the outcomes of these studies.