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## SOCIAL RESPONSIBLE BUSINESS MODEL IN BULGARIA: PRACTICES AT REGIONAL AND LOCAL LEVEL

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### Abstract

Since 1962 when Friedman has pointed that the business has one responsibility and that is to maximize the profits of its owners and shareholders, corporate social responsibility (CSR) practices and models have become subject to extensive discussions, theory building and research. Nowadays this clear perspective has changed its dimensions since no single organization or policymaker can work isolated from the emerging complex social and environmental challenges. When looking at the Europe 2020 strategy, a new platform is needed to support sustainable business practices through mainstreaming CSR and advancing social innovation in all business functions. Obviously priorities have shifted and highlighted business contribution towards building a smart, sustainable and inclusive economy through embracing customer values, transparency, innovative spirit and integrity.

**Key words:** CSR model, Europe 2020, regional and local priorities

### INTRODUCTION

Approximately one out of every four business qualifies as social enterprise, and the social economy sector already employs more than 6 % of all European workers. In the recent years policy initiatives and legal prescriptions are particularly aimed at making public procurement to social enterprises, developing national frameworks to enable their growth and stability, and ascertaining that appropriate financial instrument are at their disposal and easy access. Codes of conduct, business charters, labels, agency ratings, guidelines are the main tools to access the practical degree of the voluntary practical commitment to Corporate Social Responsibility (CSR).

Principles of sustainable and socially responsible business behaviour and activity were formally defined in the UN Global Contract (UNGC) at the World Economic Forum in 1999. In practice, this contract set forth 10 principles in four thematic areas: human rights, labour standards, environment and anticorruption. The concept of CSR is based on the Declaration of Human Rights of the United Nations and calls for respect for human rights and ensuring proper

working conditions. The very definition is for "*promoting diversity*", i.e. avoiding any forms of discrimination related to origin, sex, age, and also condemning the use of child or forced labour, etc. It is important to note that corporate social responsibility involves also the relationship of companies with their subcontractors, suppliers and partners, with the aim to achieve social compliance throughout the chain.

For the period 2011-2014 the European Commission launched the strategy for Corporate Social Responsibility (CSR) to support the voluntary nature of the CSR, but at the same time to question and challenge the lack of exact plans, institutionalized mechanisms to forge and encourage enterprises to take and fulfill their responsibility towards society. In the same document is given one of the most clear and explicit definitions of corporate social responsibility, identifies as "*a concept whereby companies integrate social and environmental concerns in their business operations and their interaction with their stakeholders on a voluntary basis. Being socially responsible means not only to fulfill legitimate expectations,*

but to go beyond compliance and investing more in human capital, environment and relations with stakeholders." (1)

CSR underpins the objectives of the Europe 2020 for smart, sustainable and inclusive growth. Through their CRS, enterprises and business significantly contribute to public services, job creation and society stability after the negative impact and consequent effects of the economic crisis. These corporate activities promote human welfare and increase positive impacts on society by performing their core business activities. There are many ways for companies to create value for society in addition to the positive externalities created by normal business activities, such as: social investments and philanthropic contributions, partnerships with UN entities, governments, NGOs and industry peers; funding for local customs, traditions, religions, etc.

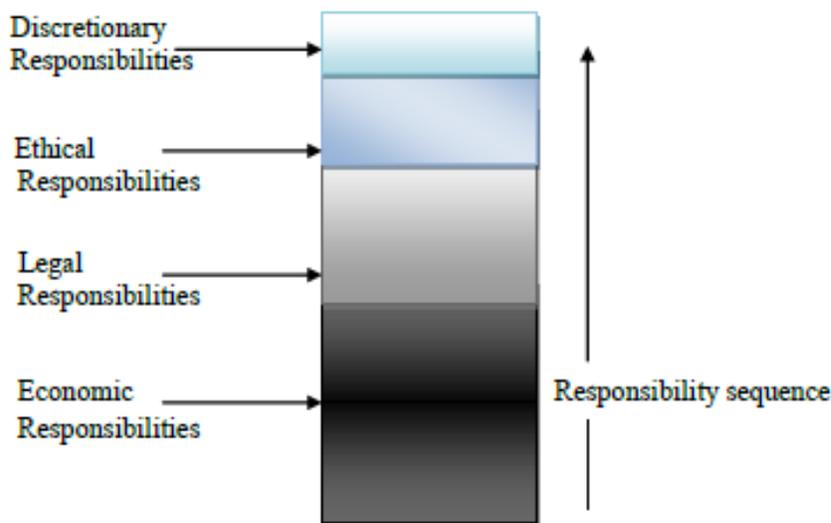
Statistics shows that the impact of the European policy on CRS has accumulated steady progress for the last years. In 2011 the number of the enterprises that have signed the ten CSR principles is 1900; 4600 are the organizations registered under the Environmental Management and Audit Scheme (EMAS); the membership in the Business Social Compliance Initiative accounts for 700 members; while the number of the enterprises that publish sustainability reports is 850. Nevertheless only 15 out of the 27

European Member States have national policy to promote CSR.

**Theoretical background and policy framework**

The earliest definitions excluded business and business activities as one of the main drivers for CSR behavior, while accounting only for the law and public policies. Friedman (1970) criticism towards CSR is based upon the assumption for the necessity of division between business and policy. Friedman Doctrine states that the company is not entitled with "social responsibility", since its only concern is maximizing profits, while engaging in "open and free competition". Furthermore he claims that social responsibility comes at the expense of the interests of employers or shareholders, since: "...There is one and only one responsibility of business – to use its resources and engage in activities designed to increase its profits so long it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud." (2)

Carroll (1979) developed a four-part corporate social performance model that accommodates Friedman's (1970) view of the responsibilities of the firm, based on the claim that the 'history of business suggests an early emphasis on the economic and then legal aspects and later a concern for the ethical and discriminatory aspects' (3).



Source: Carroll (1979)

**Figure 1.** Social responsibility categories

Later on Jones (1980) defines CSR as “notion that corporations have an obligation to constituent groups and society other than stockholders and beyond that prescribed by law and union contract” (4). The CSR model proposed by Carroll (1979), was later on developed to include three ethical components: social responsibility, social responsiveness and social issues management, which fall within the competencies of principles, processes and politics.

This position is confronted with the fact that the company policies on CSR are embedded in the rules of the business systems within which each company operates (5). More recently the European Commission identifies the CSR as: “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis”. The most recent communication on CSR (2011) defines CSR as the “responsibility of enterprises for their impact on society”.

With the new millennium approaching, Carroll also suggested that “the CSR concept will remain as an essential part of the business language and practice because it is a vital underpinning to many of the theories and is continually consistent with what the public expects of the business community today” (6).

Hence one particular aspects remains and that is the dependence of the CSR and its institutionalization on the different governmental policies. These policies vary by their “regulatory density” and control regulation. This variety is acknowledged by the literature related to the “national business systems”; “varieties of capitalism” and “diversity of capitalism”. Whilst compliance with the regulatory framework might be a common response of the companies in the US, the same attitude is not recognized in developing countries. Institutional theory long time ago has claimed that all organizations are embedded and dependent on broader social structures and their corporate decision-making is exposed on the influence of different types of institutions (7). Institutionalism imposes a significant role to the social beliefs, values, relations and expectations; and to the formal and informal rules. Aguilera et al. (2007) also argued that business organizations are embedded in

different national systems, which exert different degree of internal and external pressure to prompt social responsible initiatives (8).

From political perspective in the last few decades new government policies have been introduced with the explicit aim to encourage CSR as a “new mode of governance”. This governance relies on democratic principles, learning consensus about appropriate business behaviour and good reputation.

According to a definition of corporate social responsibility proposed by the World Bank, business has attained importance and is now committed directly to “... *sustainable economic development working with employees, their families, the local community, and society at large to improve their quality of life, in ways that are both good for business and good for development.*” (9) This responsibility suggests for a sustainable process that brings balance both to economic growth and stability, and development of society and environmental protection. Business responsibility to society refers to the accountability and awareness of societies’ demand for business transparency and conformance with socially legitimized standards of behaviour. In the *Communication from the Commission* to the European Parliament, the Council and the Economic and Social Committee – Implementing the partnership for growth and jobs: making Europe a pole of excellence on corporate social responsibility CSR is defined as “*part of the debate about globalization, competitiveness and sustainability*”; as “*a model for European society, based on equal opportunities, high quality of life, social inclusion and a healthy environment in the face of global competition*”.

An interesting point of view represents the line drawn between the CSR and the European social model. It is true that in the past six decades Europe prospered as result of the social segregation in the economy, and not despite it. This implies that the role of the social model lies upon the standards of the modern democratic society. Its principles are part of the basis for competitiveness and positioning in the global market and are especially important in the present conditions of financial and economic crisis. The empirical analysis and the results have led to the conclusion that the companies in

the more liberal market economies such as Anglo-Saxon countries have higher levels of CSR. In this respect, statistics also indicate that there are lower levels of employment and high risk of poverty in the Mediterranean model; there is an exchange of equity for efficiency reported in the Anglo-Saxon and Continental European model, and that the combination of equity policy and efficiency levels appears to be most successful in the Scandinavian model.

### **CSR in Bulgaria – model and implementation**

One of the main concerns of the European Economic and Social Committee relates to the necessity of specific measures proposed towards raising labour productivity and establishing unified national strategic objectives that can guarantee certain level of labour productivity. According to the government plans by the year 2020 the living standards in Bulgaria should be raised to 60% of the European average living standard. This particular percentage should be supported by concrete steps, efforts and resources. The current economic and financial crisis has changed the structure of the labour market and revealed the need to modernize employment services, increase their efficiency and capacity. In the period up to 2020 the expected average rate of the economic growth is 3,9%. Within this planned percentage the highest contribution has the increase of the total factor productivity, while the effect of the investments in research, public and private capital is almost insignificant. What brings discussions is the trend projected for the negative contribution of labour. This comes as a result from the considerable increase of the unemployment rate, which is expected to remain high because of the economic downturn and the crisis in the workforce. During the period 2012–2014 the labour productivity is expected to continue increasing at a slowly accelerating rate. This will be accompanied by a moderate increase of the employment and decline of the unemployment to an average rate of about 8.7% in 2015.

In the National Reform Programme what is set as targets could be summarized in the following:

- Increase in the research and development expenditures up to 1,5% of the GDP in 2020;
- Pension reform and employment rate of 76% especially in the age group of 20-64;

- Overall improvement of the educational system.

The achievement of these targets is related to a 2.2% increase in the labour force during the period 2010–2020, which corresponds to reaching economic activity rate of 74.2% in 2020.

Even more – these reforms and policies have to be prioritized by systematic categorization of these that should be carried out immediately and will have direct impact on the growth and employment; and those that can be implemented in a gradual manner.

One concrete barrier for growth is the fact that Bulgaria has no clear estimate of the increase in public expenditure that stems from the demographic change. Measures boosting growth and employment must focus on a sustainable «green growth» combining innovation, investment and economic modernization with reducing the use of scarce natural resources, thus improving European competitiveness and resilience in long-term while triggering growth and creating employment in short-term.

Most of the projects and initiatives implemented so far were initiated by international organizations, business associations and non-governmental organisations. More specifically, these are the United Nations Global Compact initiative, the United Nations Development Programme, UNIDO, the Bulgarian Business Leaders Forum, the Bulgarian Industrial Association, the Bulgarian Chamber of Commerce and Industry, the Confederation of Bulgarian Employers and Industrialists, and the American Chamber of Commerce in Bulgaria.

Apparently the implementation of socially responsible business is dictated by the presence of representation offices of many companies from the old member states of the European Union. The importance of good practice applied in the context of these countries has both illustrative and stimulating effect. The image both in the professional field of business and in connection with fundraising campaigns, public involvement and responsibility takes more tangible forms of combination and practical application. Financial stability also guarantees greater activity of the company itself, its ability

to be present more actively both in the market through advertising means, PR, donor campaigns, and direct participation in public life and development. Second, once strong market positions established, such companies have the

opportunity to develop their culture in the direction of evaluation of their success, care of their public image and existing public opinion, and also their links to various social groups.

**Table 1. Initiatives related to CSR**

Organizations	Initiatives
Bulgarian Charities Aid Foundation (BCAF)	Volunteering and payroll giving, cause-related marketing, individual strategic social projects
Bulgarian Business Leaders Forum (BBLF)	Promoting Business Ethics Standards; establishing two Responsible Business Directories
Junior Achievement Bulgaria (JAB)	Encouraging young entrepreneurs and developing responsible leadership skills
Integra BDS association	Fair Trade Programme focused on dialogue, transparency and respect
Bulgarian Charities Aid Foundation	Services for individual and corporate donors; training and advice for non-profit organizations; intermediary services for non-profit organisations and causes, fund-raising for non-profit organizations; information support for the development of giving in Bulgaria

### Regional characteristics of the CSR

Traditionally, CSR is a concept followed and applied by public companies, public services suppliers and multi-national companies. To this extend, SME are also extremely interested and motivated to acquire good practices and social-oriented behaviour, since these are recognized as a particular tool to strengthen financial positions, public reputation, create competitive advantages and integrate consumer-oriented approach.

According to an empirical research, 65% of companies' managers consider CSR as a way to improve their image and positions on the market, while 27% acknowledge their social responsibility as a way to strengthen their relationships with the local and central authorities. Almost the same percentage of managers (25%) recognizes CSR as a form to support and help organizations and people, while 14% focus on particular target groups. What brings together the variety of positive effects is the prevailing opinion (68%) that CSR is a way whereby companies' capacity and resources meet specific social needs and demand for public services.

One particular misunderstanding is addressing CSR as a charity or donation initiatives. This conclusion might be supported by the recent

statistics, pointing that donation is priority for public institutions (more than 52%), companies' employees (44%), people with disabilities (32%), and children and youth organizations (19%). Another problem is that even in the case of donation and charity, companies are not well aware of the exact social effect achieved. 35% consider that those initiatives are part of the company strategies and preferences, 25% acknowledge them as a result from the personal contacts established, while 27% relate CSR initiatives to the mass media campaigns and the broader information provided. By 2009 41 Bulgarian companies have joined the Global Treaty of the United Nations, while 58 companies have signed the National Code for Corporate Management.

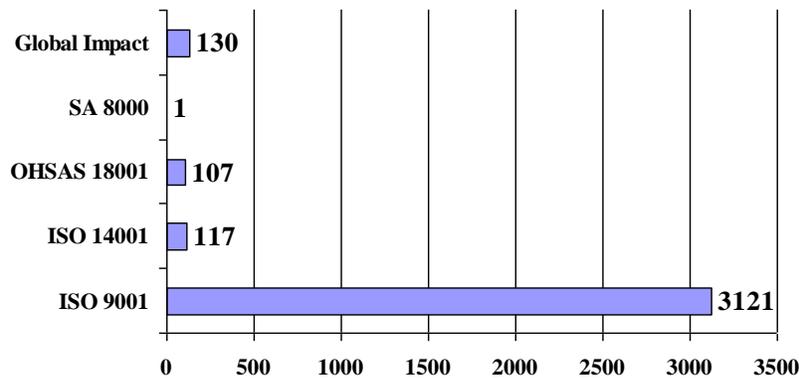
According to the available data base and statistics regarding the CSR, the attitude of business towards corporate responsible behaviour can be described as a very low level of actual activity and the growing need to be introduced policies and mechanisms among those companies that are interested in obtaining an official certificate for an international standard ISO 26000:2010 - Guidance on social responsibility has provided the framework and formulated the main criteria for their

implementation. Another important feature is the very unbalanced distribution of the companies implementing this standard in terms of their size and economic sector. CRS is mostly emerging in bigger companies, in the mining, chemical and pharmaceutical industries, and insurance and agriculture as well. A very small number of companies in the services, financial and manufacturing sectors display positive tendencies.

Even though that CSR practices are mostly isolated and not that popular mode of business behaviour, there is a clear tendency for

integrating the existing experience in all aspects of the business activity. It is increasingly recognised that CSR requires special efforts. Business responds to this tendency by seeking information and also by setting up a special unit or designating a responsible person. The first steps of planning are being taken, strategies are being written, or there are plans to write them, budgets are being drafted and attempts at assurance are being made.

For 2007 the total number of the management certificates in Bulgaria is 3481 (**Figure 1**).



**Figure 1.** Management certificates

Eco-labels of goods and services are becoming increasingly popular. Two Bulgarian certifying organisations have been recognised in the European Union: Balkan Biocert and SGS Bulgaria. Eco-labels are used most extensively for products of animal and plant origin and foods. The Organic Farming Register of the Ministry of Agriculture and Forests lists 107 companies as registered producers and importers

of animals/plants, products and foods based on bio-technologies. Inspection of the registered companies is carried out by QC&I International Services and Balkan Biocert.

One of the main problems in building a functioning conjunctural framework can be reduced to a trivial lack of transparency, resource constraints and insufficient control (**Table 2**).

**Table 2.** Contents plan of main problems in the social sphere

<b>Problem</b>	<b>Source of problem</b>	<b>Consequence</b>
Absence of long-term policy at company level	Resource constraints - time, expertise, resources, human resources	Absence of sustainability of actions and decisions taken
Firms are reluctant to deal with a monopoly center	Centralized management is not considered to meet the different needs and possibilities to solve them	Lack of authority and legitimacy in the conducting of charitable initiatives
Insufficient financial support	Centralized planning is considered ambiguous, and even skeptically	Lack of focus in the allocation of funds generated
Inadequate public and community support	Lack of coordination between different participants and stakeholders.	Local nature of initiatives taken

The basic restriction seems to be lack of strategies to attract business to social causes and development of socially responsible activities, which leads to the negative consequence of "... conjunctural solving of one or another issue raised by the media, rather than invest in long-term change in social environment and a more active attitude of people towards their own lives" (10).

## CONCLUSION

This paper aspires to contribute to CSR model conceptualization in Bulgaria and its capacity to enable and operationalize sustainable practices and solutions. Social responsibility as a new business imperative is discussed in light of the European and national policy platform; towards the complexity of issues that need to be resolved at local and regional level. Against this background a number of representative case studies analyzed witnessed for as newly emerging CSR solutions and pro-active participatory initiatives.

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