CORPORATE SOCIAL RESPONSIBILITY AND VALUE CREATION IN ROMANIA

Olivian Bîltac*
University of Craiova, Craiova, Romania

Abstract
This paper examines the relationship between corporate social responsibility (CSR) and value creation in Romania. Specifically. This paper aims to identify the key CSR practices that companies in Romania are engaging in, and to explore how these practices are impacting business performance and creating value for stakeholders. By examining the extent to which companies in Romania are embracing CSR and the outcomes they are achieving, this paper will contribute to a deeper understanding of the role of CSR in creating sustainable and socially responsible businesses in Romania. The main tool at the basis of such an analysis is the international GRI (Global Reporting Initiative) - Social indicators reporting, differently approached by different companies within their sustainability reports, collected within a database, converted into comparable information based on a scoring method, as the indicators are either qualitative or quantitative, most of the times very difficult to bring to a common denominator. Such a method we also consider useful in further valuation and ranking. The findings of this paper suggest that corporate social responsibility (CSR) practices are becoming increasingly important for businesses operating in Romania.
The analysis reveals that companies in Romania are engaging in a range of CSR practices, including philanthropy, environmental sustainability, and employee welfare, and that these practices are having a positive impact on both business performance and stakeholder perceptions. Specifically, the study finds that companies that engage in CSR are more likely to attract and retain talent, enhance their reputation, and brand value, and generate higher levels of customer loyalty and satisfaction. Moreover, the analysis indicates that CSR practices can also lead to cost savings and improved operational efficiencies, further contributing to value creation. Overall, these findings underscore the importance of CSR as a strategic tool for businesses seeking to create long-term sustainable value in Romania. The Sustainability Disclosure Database provides the existing sustainability reports of major companies in Romania, along recent years. Given such data, these reports have been processed and the information has been tailored into rather homogenous sets, starting with the GRI Standards' indicators and generating an hierarchy of social activities and their results. We consider such an

* Corresponding author, **Olivian Bîltac** – biltac.olivian@ucv.ro.

enterprise necessary if it is aimed at achieving a clear evaluation and identification of company's both financial and social performance.
This paper contributes to the literature on corporate social responsibility (CSR) and value creation by providing insights into the current state of CSR practices in Romania, a context that has received relatively little attention in the CSR literature. The paper builds on previous studies by focusing specifically on Romania, a transitional economy that has undergone significant political and economic changes in recent years, and by examining the relationship between CSR and value creation in this context. The paper's findings highlight the importance of CSR for businesses operating in Romania and offer practical insights for companies seeking to implement CSR strategies that create sustainable value for stakeholders. This study also provides a foundation for future research on CSR in Romania and other emerging economies, thereby advancing our understanding of the role of CSR in driving positive social and environmental outcomes while also creating business value.

Keywords
Social performance reporting, GRI (Global Reporting Initiative), sustainability standards, Stakeholder theory; Romania.

JEL Classification
M14, L20, Q01, G39.

Introduction

The financial crisis of 2008-2009 sparked a growing interest in Corporate Social Responsibility (CSR) as a way for companies to align their business strategies with the triple bottom line model, which emphasizes economic, social, and environmental objectives. The adoption of this new business model on a global scale has been largely driven by the system of standards provided by the Global Reporting Initiative (GRI). However, the fact that the use of these standards in non-financial reporting is optional has resulted in a proliferation of non-standardized reporting formats, which has led to a decline in stakeholder confidence in the reliability of CSR information provided by companies (Velte, P., 2022). Furthermore, the diversity of aspects encompassed by the broad concept of CSR, from social initiatives to pollution prevention and sustainable procurement, has contributed to the existence of multiple approaches to CSR implementation.

We believe that the approach and reporting of a company's social involvement is becoming increasingly prominent as a strategic component of a company's economic activity, generating multidimensional added value for businesses, society, and ecosystems. This situation is validated by the cumulative fulfilment of two conditions:

- the strategic integration of this component into the overall strategy of the company;

- the existence of the necessary means to measure and monitor these new or additional values.

According to the most common business case argument for CSR (Schaltegger et al. 2019), successful CSR strategies should lead to better non-financial performance of the firm and an increase in the firm's value. An adequate corporate governance model is also necessary to prevent greenwashing and avoid reporting with irrelevant information (Ortas et al. 2017). Additionally, non-executive directors' duties to increase profits and implement management compensation systems based on incentives and bonuses must be aligned with CSR management models to avoid symbolic activities for stakeholders (Guerrero-Villegas et al. 2018).

The reasoning behind the second condition has a double implication - on the one hand, considering the public interest in CSR, it is closely related to transparency, accountability, and legitimacy and requires validation, and on the other hand, as it becomes a strategic activity, the company will need to monitor the impact of its activities. We believe that taking a strategic approach to social responsibility requires companies to evaluate their added value on social, ecological, and economic components and incorporate these effects into management decisions and the total value of the company. Thus, to provide a perspective on the potential of CSR, not only from a strategic perspective but also with an impact on the company's value, it is necessary to answer two essential questions - on the one hand, how can the economic value of activities be defined from the perspective of not only the company but also society and ecosystems, and on the other hand, how can the company's contribution to such value be measured?

Obviously, these answers are not easy or readily available, given that the concept of value is ultimately a judgment made by individuals and communities - there is no objective way to define it.

1. Review of the scientific literature

In recent years, there has been increasing interest in the relationship between corporate social responsibility (CSR) and value creation, and many scholars have conducted empirical research to investigate this relationship. Some studies have found a positive relationship between CSR and financial performance, suggesting that firms that engage in socially responsible practices can create value for their shareholders. However, other studies have found mixed or inconclusive results. Several empirical studies have been developed, with divided conclusions, depending on the social, economic, and cultural context, considered objective factors of the times in which the studies were carried out, as well as subjective factors such as the industry of the studied companies, the countries in which they operate, and the way in which data were analysed. The trend in the results of empirical studies is a positive correlation between financial performance and social responsibility (Busch and Friede, 2018; Garcia and Orsato, 2020). However, there are also reference studies in the literature where the hypothesis of synergy could not be supported (Agyabeng-Mensah, Afum, & Ahenkorah, 2020).

To take the first step in addressing the issue of creating economic and social value, it is necessary to start from the theoretical basis found in the literature. Most of these theoretical approaches are located in the area of strategic management, without deeply addressing the issue of the essence of this created value, giving us the possibility for the answer to come from the financial-accounting area of approach. Regardless of the theoretical area, value is defined - implicitly - when it comes to immediate or future financial gains for business owners, profit remains a crucial benchmark for optimal operation in the private sector (Simon and March, 1993). It is widely accepted that the primary objective for profit-seeking firms is to maximize shareholder wealth in the long term (Friedman, 1970; Jensen, 1998). Thus, from this perspective, the social approach of a company is often viewed with scepticism. Inputs are the company's resources, trained with the purpose of fulfilling the organization's mission and achieving profit, and they are used in activities and programs that will lead to certain results. Results are the direct and immediate consequences of the activities undertaken, unlike inputs and outputs. Inputs are the resources provided to the program or organization to fulfil the organization's mission. These inputs are used in activities and programs that will lead to certain results. Results are the direct and immediate consequences of the activities undertaken and seen as a zero-sum game that adds costs and restricts the freedom of firms through regulatory requirements (Haigh & Jones, 2006).

This type of vision went through significant debates in the '70s, in academic spaces, and concurrently with the growing significance of the concept of CSR, this debate has gained new meanings, and companies are developing social involvement programs beyond economic interest or reporting requirements imposed by the national or international regulatory framework (McWilliams and Siegel, 2001).

The argument for social involvement on the part of the company must take into account all involved parties and generate value for stakeholders. There may be both intrinsic and external motivation at the top management level for implementing CSR management systems. Companies with better tools for managing CSR initiatives can positively influence their long-term financial benefits by increasing sales and attracting capital, thus gaining a better reputation with stakeholders (Schaltegger et al. 2019). Stakeholders use indicators to measure the social component, such as social performance or the quality of CSR reporting, to analyse the reliability of CSR management and the risks associated with the company (Velte et al. 2020). If stakeholders face a low risk related to the social governance policies of the firm and the controversies in which the company may be involved, it is possible to increase their commitment to the company's activity, leading to financial growth (Schaltegger et al. 2019). At the same time, certain CSR measures could increase the overall performance of the company as a result of successful CSR management, while also emphasizing the need for new social initiatives and increasing their impact on social performance (Byron and Post 2016). For CSR efforts to be successful, they should be linked to constant improvement of communication with stakeholders, while also taking care of the company's reputation. Social performance should reach the point where it represents a true value for the capital market (Velte and Stawinoga 2017), especially for investors who adhere to the values of a sustainable business.

Considering the nature of the value that social aspects contribute to, a specific conceptualization has not been offered until now, as it appears in the context of interactions within the economic and social environment, determining a specific value for the company, society, and ecosystems. To be able to estimate this type of value, it is essential to understand how such value is constructed. Companies obtain profits from economic activities by creating added value. If these activities are carried out more efficiently, added value increases, and besides this increase in efficiency, companies can generate added value through innovation. This generates added value by developing a product or service perceived as valuable by a social group. Activities in the social area can also generate added value, usually starting from innovations through collaborations with other companies, research institutes, governments, especially when aiming to reduce the ecological and social impact of the company or when promoting more sustainable products on the market (Weber & Hemmelskamp, 2005). Such innovations can be considered the core of a strategic approach from a social perspective, as they shift the company and its main activities towards a new, dynamic balance between economic revenues, reduced impact on ecosystems, and higher social value. Social action based on innovation often involves a systemic evolution, not only at the product/service level but also in adjacent areas such as logistics, design, infrastructure, etc. The impact of this systemic transition is not only positive, as it can also have negative effects in some cases. The main characteristic that both companies and ecosystems should consider is determining a new, dynamic balance between economic, ecological, and social value.

Different terms used by various researchers in economic or social studies, accounting or management, and practitioners are defined quite confusingly. The main difference is found between the definitions of entrepreneurs and scientists regarding the terms "impact," "result," "effect," and "social return on investment."

Beyond the various theoretical-conceptual approaches in the specialized literature, as mentioned earlier, it is important to make a clear distinction between results, effects, and impact. Otherwise, we understand that the impact is different from the results obtained. While results and effects are related to the provider of the product - the source of economic activity or service, impact is associated with the user. (De Villiers, Hsiao, and Maroun., 2020).

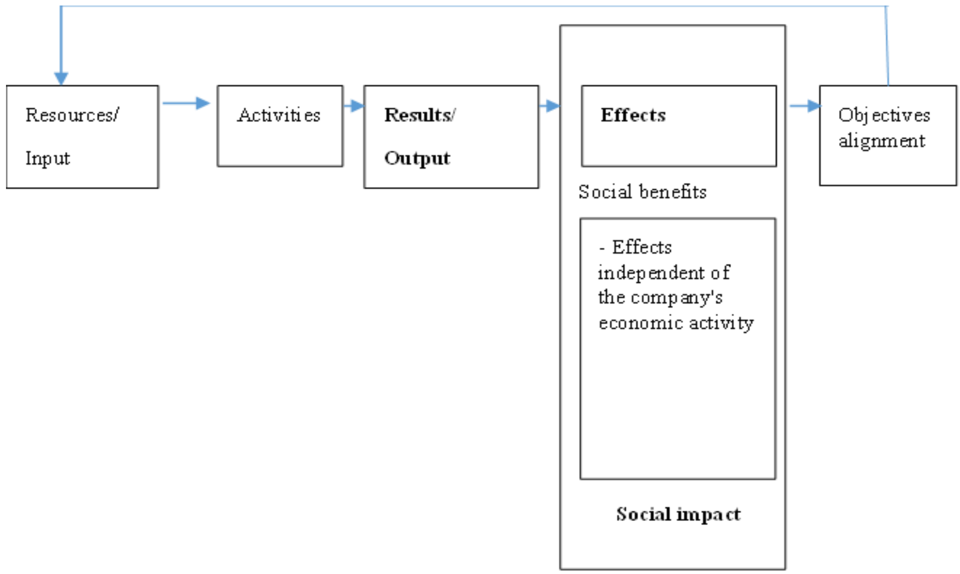

Figure no. 1. The impact value chain

Source: MAAS K. (2009), - Corporate Social Performance - From Output Measurement to Impact Measurement, ERIM PhD Series în Research în Management, 182, ERIM: EPS-2009-182- STR, ISBN 978-90-5892-225-0; ERIM Electronic Series Portal: http://hdl.handle.net/1765/1, pg.60

Inputs are the main resources of a company, specifically trained to achieve the organisation's mission and financial gain, and they are utilised in programmes and activities with the aim of producing particular outcomes. Results refer to the immediate and direct effects of the activities, in contrast to inputs and outputs. Inputs are the resources supplied to the programme or organisation to carry out its mission. These inputs are applied in activities and programmes that are intended to produce specific results, which are the immediate and direct outcomes of the undertaken actions. Unlike inputs and results, the effects are much more comprehensive and are translated into the extent to which the organization's objectives are achieved. Effects are the benefits or changes for individuals or communities after they have participated in or been influenced by the organization's activities. Impact refers to the resulting effects after subtracting what would have occurred if the company's economic activity had not taken place, which is also known as "counter factuality." In a cost-benefit analysis, this concept is used as a baseline to measure the impact of a particular counter factuality. The reference situation or counter factuality doesn't necessarily imply that the current situation won't change over time if the activity isn't undertaken. Impact encompasses both intended and unintended, negative and positive effects in both the short and long term (Karytsas, S., Mendrinos, D., and Karytsas, C., 2020). The estimation of social profitability of investments goes further in identifying financial proxies for these indicators, both to facilitate analysis and to provide principled clarity, and also to provide arguments in favour of aspects that are not taken into account in the economic-financial evaluation. All these approaches accompany the financial reporting of the company and could be fully integrated with financial reporting systems. However, although 73% of the top 250 Forbes companies used GRI standards in 2020 to produce their sustainability reports (KPMG, 2020), they represent only a small segment compared to the total number of companies that could benefit from using this approach.

In current accounting practice, professionals continue to face the value of so-called intangibles, such as corporate intellectual property (articles such as patents, trademarks, copyrights) and brand recognition, where it has been estimated by investors as the difference between the book value of a company and its market value (Bridge, Murtagh, and O'Neill, 2020). The value of these non-corporal elements can be recognized in a balance sheet at the acquisition value, but not according to the internally generated value. There are no well-developed markets for these assets, and future benefits are often uncertain. There are proposals to solve these problems (Trequattrini et al., 2022), and some companies have actively explored new reporting methods, and regarding investors, they explore new sources of information regarding social and environmental effects, for example, Enhanced Analytics, New Philanthropy Capital, and Generation Investment. In time, it may be possible to develop financial statements that recognize "social intangibles" and analyse the social aspects of profit and loss accounts.

Thus, the increasing number of attempts to incorporate social profitability is, on the one hand, an expression of a growing need for a comprehensive evaluation standard of the commission and, on the other hand, has failed to lead to the standardization of a common tool. Any system of measuring social, environmental, and economic performance will have to be based on the recognition that results are relative and arise from negotiations between stakeholders. We consider that the existence of a process shared by users is essential, given that there are always a multitude of different processes, and most benefits become a reality only when they are not isolated but rather generalized.

Even so, estimates of social value will differ across different markets and for different people, although some standardization of indicators in similar markets will also facilitate the ability to trade in social and environmental values. In public procurement, the desire to move from the efficiency of purchases (which are often inadequate proxies for the desired value change) to their effectiveness requires an agreement on a system for evaluating the results that are both practical and credible for the parties involved.

Even with a standardized and integrated evaluation system, value will have a subjective component. Identifying those affected - directly or indirectly by the conduct of an economic activity - clients, employees, suppliers, etc. (and recognizing that the effects are often inclusive of future generations) and understanding their objectives and problems is the starting point in establishing, respecting, and reporting the social impact of the company.

The analysis in the scientific field (outside of financial consultancy practices) of value creation can go as far as highlighting types of value that are neglected in classic economic and financial evaluation. This approach, from the perspective of all stakeholders, ensures consideration of the effects and impact on all those affected at all stages, while also developing an understanding of their role in creating value.

AccountAbility has developed a solution by exploring the concept of importance in financial reporting (AccountAbility, 2006), based on the idea that any type of evaluation will need to measure the results of its activity, rather than simply summarizing its activities. Evaluations and result measurements will need to consider what happens naturally, acknowledging that stakeholders can achieve their objectives without the company's intervention. Most importantly, the company must respond and adapt to the evaluation process. We evaluate to act and learn from our actions. Some of these approaches, such as Social Accounting, SROI, and Sustainability Reporting, have the same basic principles, such as (Purwohedi and Gurd, 2019):

• Stakeholders are focused on understanding value;

• There needs to be more transparency in prioritizing stakeholders' issues;

• Value is the result of a company's activity, not a summary of its activities;

• It must be recognized that individuals will achieve their objectives or satisfy their needs in various different ways;

• The purpose of understanding is change - adaptation;

• Reporting progress to stakeholders is a path to better accountability.

In the current economy, with an increasingly competitive business environment, more and more for-profit companies realize that aligning their social activities with their core economic activity will not only create social value, but also support the company's business interests. This can be accomplished either by satisfying stakeholders directly, which can lead to increased sales, or indirectly, by positively influencing the company's image and reputation.

The Social Return on Investment (SROI) is a method of accounting for the social, economic, and environmental value created by a company. Companies issue financial statements that present the revenues, sales, net profits, debts, and other key values for investors, but SROI is not an indicator within these. The purpose of SROI analysis is for firms to be able to have a financial perspective on the social impact. The factors that go into the SROI calculation are the value of social impact and the initial investment value.

There are two types of SROI (Social Value UK, 2022):

- Evaluative, which is done retrospectively and based on actual results that have already taken place;
- Forecast, which predicts how much social value will be created if the activities achieve their anticipated results.

Although there has been evident progress in the social impact of companies' economic activity in recent decades, and there has been an increase in the number of frameworks and standards aimed at contributing to the understanding and reporting of this impact, we believe that much more effort and standardization is needed in this area so that changes related to determining value and evaluation result in changes in demand. Progress cannot be strictly linear and based on implementing standards; it will be determined by incremental adjustments with inherent costs and benefits. Standardization, as the main element of these changes and developments towards a new model of value determination, involves the following aspects:

- Convergence refers to the convergence of theoretical approaches in the field of value understanding, to determine a list of common principles. This does not seem like a distant objective, given the existing standards, the trend towards uniformity, and legislative developments or authorities' involvement. Regional development objectives constitute such a list of common principles, along with a deadline, a set of objectives, and measures;
- Innovation is a necessary process, both in determining new ways of measuring certain effects and in adjusting certain areas of activity and aligning them with the social objectives they will need to achieve. A sectoral approach will certainly be necessary, as the results and therefore the indicators will vary for different stakeholders, with different effects in different markets. Despite these apparent disadvantages, there may also be advantages in the sense that the lack of indicators with relevance from a value perspective can facilitate the identification of general principles that, in turn, can lead to a superior understanding and increased value, especially in the public sector. In other words, it should be noted that although there will be standardization, some companies and/or organizations will have superior benefits to others;
- Migration involves abandoning certain approaches in favour of others, even if not for long. Consistency in the ways social value is understood, measured, and reported is not the only element that can generate success;
- The range of tools for evaluating a company's social performance may seem daunting and may unbalance costly methods and apparently still limited and not fully realized benefits at the corporate, socio-economic, or central or local authority levels. The current trend is towards the development of systemic approaches that reduce costs - for example, in Sweden, there is an online social accounting service. Although it represents only one facet of the approach, focusing on short-term benefits could increase the number of companies that can report both commercial benefits and real internal changes with beneficial effects outside;
- Demand for the incorporation of social evaluation into the economic-financial evaluation of companies seems to be growing in certain areas of Europe, in the context of public procurement and legislation that requires this type of information. Companies also focus here, still, on the short-term horizon, where

they seek immediate results at a direct or indirect level - clear links between economic activity and community benefits. The inclusion of clauses that generate social or community impact in commercial contracts is a step towards changing corporate objectives, so that they are more closely aligned with the objectives (and results) of the social environment.

The task of developing a global framework of indicators for the Sustainable Development Goals (SDGs) and their 169 targets has been assigned to the Inter-Agency and Expert Group on SDG Indicators. An initial set of indicators was submitted to the United Nations Statistical Commission in March 2016 after an extensive engagement process. This initial set has since been refined through ongoing participatory processes led by a global group of experts and currently consists of 232 indicators (The United Nations Statistics Division, 2022).

2. Research methodology

The current paper aims to identify some of the ways corporate social responsibility creates value for stakeholders by looking at the main ways of obtaining social reporting data, the definition of social impact and methods of quantifying social impact as well as taking a look at the current context in the E.U. and in Romania.

The legislation underlying social performance reporting in Romania is based on European regulations in the field, which are currently undergoing a reform process, given the results of the reporting since they came into force. Thus, companies with over 500 employees are required to disclose certain information about how they operate and manage social and environmental challenges.

Directive of the European Parliament and of the Council, No. 95/22.10.2014, which is relevant to and applies not only to EU Member States but also to the Extended European Economic Area, which includes Norway, Iceland, and Liechtenstein, but not Switzerland, has been implemented in Romanian legislation through the "Order of the Ministry of Public Finance, No. 1938/2016 of August 17, 2016, regarding the amendment and completion of certain accounting regulations PUBLISHED IN: OFFICIAL GAZETTE NO. 680 of September 2, 2016." This legislative act fully takes over the provisions of EU Directive 95/2014. According to this order, large companies in Romania are required to submit a Non-Financial Statement as part of their integrated financial reporting.

In accordance with the EU directive and the Romanian Ministry of Finance Order, the non-financial statement must refer to the following aspects:

- "a brief description of the entity's business model;
- a description of the policies adopted by the entity in relation to these aspects,
- including the necessary due diligence procedures applied;
- the results of these policies;

• the main risks related to these aspects arising from the entity's operations, including, where relevant and proportionate, its business relationships, products or services that could have a negative impact on these areas, and how the entity manages these risks;

• key non-financial performance indicators relevant to the entity's specific activity.

Regarding non-financial performance indicators, the Romanian Government issued in 2016 Methodological Norms for establishing financial and non-financial performance indicators and the variable component of the remuneration of members of the board of directors or of the supervisory board, as well as of the directors, or members of the executive board. According to these norms - "non-financial performance indicators - measurement tools that determine how well the public enterprise uses its resources, primarily for: a) streamlining internal operations; b) providing external services to clients; c) complying with legal requirements. Non-financial performance indicators are usually derived from the company's policy, customer satisfaction levels, the company's market share, etc." (Government Decision no. 722 of September 28, 2016, published in the Official Gazette of Romania, Part I, no. 803 of October 12, 2016).

These elements within the non-financial statement are correlated with the standards issued by GRI (2019) for non-financial reporting, recommending the publication of information regarding aspects such as: economic performance, company market presence, indirect economic impact generated by the company's activities, supplier and procurement referencing practices, anti-corruption measures, competition behavior with companies in the industry, and the company's tax conduct. These indicators should be presented both descriptively, for example, the extent to which certain standards are met or certain aspects are considered, etc., as well as quantitatively.

In addition to this regulation, large companies in Romania publish sustainability reports annually, detailing their activities, results, and the social and environmental impact of their actions at the regional and national levels. These reports, while optional, are mostly based on the GRI Methodology, which brings together a set of standardized indicators describing a company's social activities and providing a suitable tool for identifying, but not precisely and completely measuring sustainability and social responsibility. The GRI reporting consists of three major chapters identified in the form of three major categories of economic, environmental, and social indicators, and although this set of indicators is quite extensive, it is concise and easy to present and report. Their significance is different for both stakeholders and the reporting authority, and companies therefore give them variable weight.

Here we use data provided by the Sustainability Disclosure Database within the existing Sustainability Reports published by companies in Romania, in order to create a database with information organized according to the GRI standards and analysed using on a scoreboard-based methodology in order to provide a comparative approach and a hierarchy.

3. Results and discussions

The most common challenge encountered in scientific endeavours aimed at studying the social performance of companies is the lack of standardization of reports published in this regard. The study in question aims to overcome this challenge by carefully analysing the degree of reporting conformity with GRI standards, selecting indicators that align with the model proposed by this standard, and including a score based on the degree of conformity with the standard in the final evaluation of social performance.

To get an idea of CSR initiatives and the relevance of the study, data available on the Global Reporting Initiative's website (Global Reporting Initiative, 2021) regarding reporting according to GRI were extracted for the countries selected for comparison. The database allowed for the analysis of all CSR reports worldwide, based on their adherence to GRI standards, from 1999 to the present. This resource ensures a degree of standardization of data presented at a general level, with companies clearly defined and categorized. This level of standardization, together with standardized financial reporting at the European level, helps us understand the degree of reporting at the country level, as well as the relevance of the selected indicators for the scientific endeavour.

In this analysis, all companies were considered, regardless of size, according to the segmentation carried out by data providers based on criteria that correspond to European norms:

Table no. 1. Enterprise categorization criteria according to Global Reporting

Category	No. Employees	Turnover	Total assets
SME	<250	≤ 50 M € SAU	≤ 43 M €
Large enterprise	≥250	> 50 M € SAU	> 43 M €
Multinational enterprise*	≥250	> 50 M € SAU	> 43 M €

**The company is owned by other entities outside the country*

Source: https://www.globalreporting.org/

To assess the situation in Romania regarding reporting in accordance with GRI standards, 41 companies were considered based on the Global Reporting Initiative database. The criterion used for selecting these companies was the publication of reports that present activities and results related to CSR. The research considers all 127 reports issued over a period of 15 years, from 2006 to 2020.

Table no. 2. Companies that reported CSR in Romania, 2006-2020 by sector

Rank	Sector	No. of companies
1	Energy	8
2	Financial services	6
3	Retail	4
4	Metal products	3
5	Pharmaceutical products	3
6	Telecomunications	3
7	IT	2
8	Construction materials	2
9	Food and beverages	2
10	Utilities	2
11	Durable goods	1
12	Construction	1
13	Other	4
TOTAL		41

Source: Data retrieved from https://database.globalreporting.org/search/ and processed by the author

All 41 companies that have reported CSR between 2006-2020, according to Global Reporting, have been categorized by size and field of activity. Based on the data extracted from the Global Reporting database, we can observe that in Romania there are 13 main categories of activity for the firms that report CSR according to GRI standards. It can be observed most of the companies that report CSR according to these standards operate in the energy sector.

Table no. 3. Companies that reported CSR in Romania, 2006-2020 by size

Enterprise size	No. of companies
Large enterprise	34
Small or medium enterprise	4
Multinational enterprise	3
TOTAL	41

Source: Data retrieved from https://database.globalreporting.org/search/ and processed by the author

If we analyse from the point of view of the size order of these companies, we can observe that 90% of them are large companies.

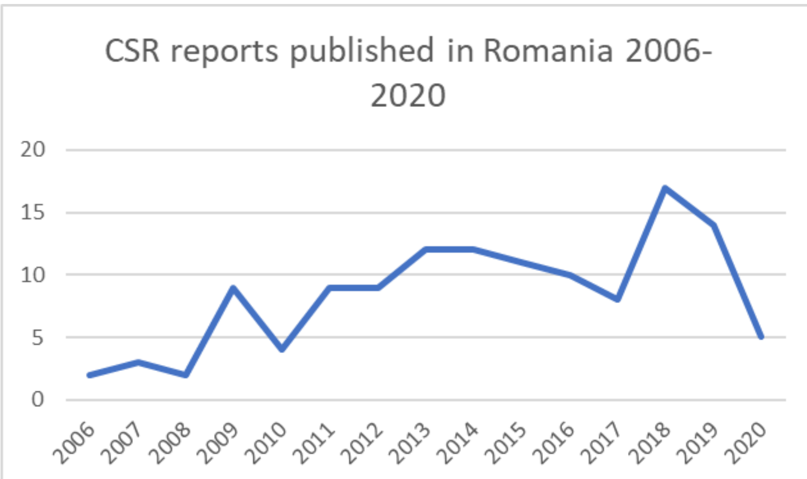

Figure no. 2. Evolution of CSR reporting according to Global Reporting - Romania

Source: Author's processing of data https://www.globalreporting.org/

Most RSC reports were for the year 2018, after which, in Romania, as in the other countries analysed, there is a decrease in the number of issued reports. Another observation in this case is that in Romania, RSC reporting started later compared to the other analysed countries and was quite limited in terms of the number of reports issued.

Uunlike other developed European countries, Romania has specific CSR needs, but at the same time, the number of companies is not large enough and they do not have sufficient resources to be significantly or consistently involved. The importance of the involvement of local companies in CSR is even more greater as national competitiveness increases (Halina Ward, Tom Fox, Emma Wilson and Lyuba Zarsky, 2007).

Another problem identified in the research is the late adoption of social reporting in Romania. While in a country like Sweden we are talking about the first public CSR reports published in 1999, their evolution in a rapid and consistent pace, or the fact that CSR has gained momentum especially among SMEs, in Romania, the first CSR reports appeared in 2006 and the involvement of SMEs was low. We can thus appreciate the fact that CSR reporting emerged in Romania as a trend brought by large, multinational companies through their organizational culture.

In addition to the lack of a significant number of companies reporting over a sufficiently long period of time, there is also insufficient information in this regard. A relatively recent source of information and reporting at the national level is The Azores, a firm that has been publishing an annual general report called the "Romanian CSR Index" since 2015, through which it presents general data related to CSR reporting in Romania for that year.

From a legislative standpoint, European directives help Romania's development by publishing the framework legislation, through the publication of Directive 2014/95/EU, which is the basis for the first definition of the "Non-Financial Statement" in national legislation, introduced by Order No. 1938/2016 and the amendments made by Order No. 3456/2018 to Law No. 82/1991 on Accounting. The main provisions related to social reporting are:

- Companies that must issue non-financial reporting are those public companies that, at the time of the annual balance sheet, had an average number of employees of more than 500 in the last year.
- The reporting, which will be part of the management report, must have a minimum content that includes sustainability elements, such as environmental indicators, social indicators, indicators related to employees, as well as elements of corporate governance and any other elements that can help understand the sustainable development of the company, establish non-financial performance and its position in terms of the impact of its activities;
- The reporting will present the business model, the social policies applied within the company, as well as a series of key non-financial indicators.
- As can be seen, the legal framework was designed to take into account one of the most important categories of stakeholders, namely the company's employees, considering that social reporting should be mandatory for firms with a certain number of employees.

Based on the data presented on the CSR Media platform and according to OGREAN's study in 2017, CSR in Romania is seen as follows:

- From the perspective of the concept of Corporate Social Responsibility (CSR):

According to the CSRMedia report (2020):

  - 79% of the studied companies understand the social involvement of the company, while 90% understand the sustainable business strategy. Understanding of concepts such as business ethics - 61%, responsible supply chain management - 42%, and significant stakeholder interactions - 33%;
  - The main reasons why companies engage in CSR practices are recognition and visibility - 52%, the fact that this type of activity is part of their PR strategy - 56%;
  - Their involvement is due to shareholder demand - 27%, impact on the company's financial value - 28%, the company's CSR policy - 52%, promoting the company's products and services - 56%;
  - The causes in which companies are most involved are education - 80%, health - 73%, environment - 54%, social - 58%, and sports - 43%;
  - The ways of involvement are monetary donations - 76%, volunteering - 64%, donations - 56%, responsible business practices - 48%;
  - 57% of companies have 1-2 full-time persons responsible for CSR;
  - 40% of companies carried out between 1 and 5 CSR projects in the reported year.

- From the perspective of CSR reporting:

According to the CSRMedia report (2016):

  - Regarding awareness of Directive 2014/95/EU: 51% declared that they had an internal discussion on this subject, while 28% of respondents realized that they needed to take measures to comply with this directive;
  - Regarding the main advantages of CSR reporting, the following were mentioned: demonstrating sustainability policies -62%, demonstrating management transparency -59%, helping to improve processes for sustainable business -42%, increasing the company's credibility and competitive advantage - 41%, meeting stakeholder information needs - 34%, and complying with legal regulations - 24%.

According to the CRPE report (2015):

  - The main barriers to collecting information are: difficulties in understanding reporting standards - 58%; lack of a standardized electronic system for collecting information - 50%; absence of a specific procedure - 33%; reluctance of employees to provide information - 29%; reluctance of management to disclose non-financial information - 17%;

- The most common reporting framework used is: own reporting method - 58%; GRI standards - 46%; UN Global Compact - 21%; Dow Jones Social Index - 8%; LBG - 8%;
- Developing the first CSR report meant for the company: rethinking the communication process - 63%, rethinking some internal procedures or processes - 46%, customizing software - 13%.

In The Azores report (2021):

- The most frequent reporting categories refer to: sustainability management, diversity policy, economic impact, climate change, impact on the environment, employee rights and anti-corruption policy, marketing & creating awareness, community investments, supply chain, and material aspects;
- The top 10 most responsible companies from an RSC perspective were: Kaufland, Coca-Cola HBC Romania, Heidelbergcement Romania, Antibiotice, Raiffeisen Bank, Cez Romania, Telekom Romania, Banca Transilvania, Lidl Romania, Romgaz, Greenpoint Management, Romstal, Digi & Rcs Rds, and Transelectrica.

The reporting of CSR in Romania had a late start, beginning in 2006 as an "import" brought by large multinational companies. The increased interest in CSR initiatives and reporting came in the middle of the decade, due to the emergence of European directives, and led to an increase in social reporting among companies. Although the concept is quite old, many people employed by the companies studied by CSR consulting firms in Romania do not have a good grasp of the CSR concept and are not well informed on this subject. Unlike other countries studied, in Romania, SMEs are not represented among companies involved in CSR, and this may be due to the obligation only for companies with more than 500 employees to prepare such reports.

CSR represents a set of voluntary actions implemented by companies, aimed at bringing a positive impact in the community where they operate. In recent years, more and more companies in Romania have focused on active involvement in CSR projects, addressing various social and environmental issues. Below, are presented a few CSR projects implemented in Romania between 2017 and 2023, which had a significant impact on communities and the environment.

- The "Education for Life" program of Lidl Romania, which offers scholarships for children from low-income families and conducts various educational activities for them, was launched in 2015. The program provided scholarships for over 700 children from low-income families and organized more than 500 educational activities in schools throughout the country;
- The "Future in Light" program of Enel Romania, which aims to support the development of rural communities through the construction and modernization of public lighting infrastructure, was launched in 2016. The program led to the modernization and construction of over 3000 public lighting points in more

than 100 rural communities, improving the safety and comfort of residents in these areas;

- The "School of Tomorrow" project of Kaufland Romania, which helped renovate schools in rural areas and provided them with modern equipment to improve learning conditions for students, was launched in 2017. The program helped renovate over 60 schools in rural areas and donated modern equipment and furniture for grades 1 to 4, improving learning conditions for over 15,000 students;
- The "Green Cities" program of Coca-Cola HBC Romania, which aims to contribute to the creation of greener and more sustainable cities through the planting of trees and shrubs in urban areas, was launched in 2017. Coca-Cola HBC Romania planted over 120,000 trees and shrubs in urban areas throughout the country, thereby contributing to improving air quality and the urban environment;
- The "Donate Blood, Save a Life" campaign of Raiffeisen Bank Romania, which encourages blood donation and organizes blood collection campaigns in various areas of the country, was launched in 2015. The program contributed to increasing the number of blood donors and ensuring the necessary blood supply for patients in need, by organizing blood collection campaigns and involving employees as well as the local community.

Conclusions

Corporate social responsibility has gained significant importance in Romania over the past few years. Companies are increasingly recognizing the importance of CSR in creating value for both themselves and society. This paper has shown a few reasons why adopting CSR practices can generate a range of benefits for companies in Romania and why this subject is important for future scientific literature, as more data becomes available for Romanian companies.

The relationship between corporate social responsibility (CSR) and value creation has been widely studied by scholars, with some studies finding a positive relationship between CSR and financial performance. However, results are mixed and depend on various factors such as social, economic, and cultural contexts, as well as subjective factors such as industry and country of operation. Value is defined implicitly in terms of immediate or future financial gains for firm owners, but the argument for social involvement by companies must take into account all involved parties and generate value for stakeholders. CSR management systems can positively influence long-term financial benefits by increasing sales and attracting capital, leading to improved reputation with stakeholders. To estimate the value that social aspects contribute, it is essential to understand how such value is constructed, which can be done through activities in the social area generating added value, often starting from innovations through collaborations with other companies, research institutes, and governments. The impact of such innovation is a dynamic balance between economic, ecological, and social value, which companies and ecosystems should consider achieving a sustainable business. The difference in definitions of terms such as "impact," "result," "effect," and "social return on investment" can be confusing, and a specific conceptualization has not been offered.

Social profitability is becoming increasingly important for businesses as they recognize the need for a comprehensive evaluation of their impact on society and the environment. The current accounting practice faces challenges in recognizing the value of intangible assets such as intellectual property and brand recognition. While attempts have been made to incorporate social profitability, standardization of a common tool is yet to be achieved. Standardization of indicators in similar markets would facilitate the ability to trade in social and environmental values. The subjective component of value is also a challenge in social profitability. Therefore, it is important to identify stakeholders and understand their objectives and problems in creating value. Evaluations and result measurements should consider what happens naturally and acknowledge that stakeholders can achieve their objectives without the company's intervention.

The current paper explores the ways in which corporate social responsibility creates value for stakeholders, with a focus on social reporting data and methods of quantifying social impact. The legislation underlying social performance reporting in Romania is based on EU regulations, and large companies in Romania are required to submit a Non-Financial Statement as part of their integrated financial reporting. This statement must refer to various aspects, including the entity's business model, policies, and non-financial performance indicators. Additionally, companies in Romania publish sustainability reports annually, mostly based on the GRI methodology, which provides a standardized set of indicators for describing a company's social activities. The use of data provided by the Sustainability Disclosure Database allows for a comparative approach and hierarchy in analysing information organized according to the GRI standards. Overall, this paper sheds light on the importance of social responsibility reporting and highlights the efforts made in Romania to hold companies accountable for their social and environmental impact.

The lack of standardization of reports published in regard to social performance of companies is a common challenge in scientific endeavours. However, the study discussed aims to overcome this challenge by analysing the degree of reporting conformity with GRI standards, selecting indicators that align with the model proposed by this standard, and including a score based on the degree of conformity with the standard in the final evaluation of social performance. The use of the Global Reporting Initiative's database ensures a degree of standardization in data presented, allowing the analysis of all CSR reports worldwide, based on their adherence to GRI standards. In this study, 41 Romanian companies were considered, and all 127 reports issued between 2006 and 2020 were analysed. This research will help us understand the situation in Romania regarding reporting in accordance with GRI standards and the relevance of selected indicators for scientific endeavours.

Romania is a country where CSR reporting emerged as a trend brought by large multinational companies through their organizational culture, with the first CSR reports appearing in 2006. However, the adoption of social reporting was relatively late in

Romania compared to other developed European countries. The number of companies that report CSR according to GRI standards is not large enough, and they do not have sufficient resources to be significantly or consistently involved. Most of the companies that report CSR operate in the energy sector. The legal framework for social reporting in Romania requires public companies with over 500 employees to issue non-financial reporting, which should be part of the management report and have a minimum content that includes sustainability elements. According to the CSRMedia report, Romanian companies understand the social involvement of the company and the sustainable business strategy, and they are mainly involved in education and health. Monetary donations and volunteering are the most common ways of involvement, and 57% of companies have 1-2 full-time persons responsible for CSR. Difficulties in understanding reporting standards and lack of a standardized electronic system for collecting information are some of the main barriers to collecting information, according to the CRPE report.

However, while the importance of CSR is widely acknowledged, there is still much to be done to ensure its effective implementation in Romania. Many companies lack the necessary knowledge and resources to implement CSR strategies effectively. Additionally, there is a need for greater collaboration between the government, civil society organizations, and the private sector to create a conducive environment for CSR implementation.

Overall, this paper has highlighted the potential benefits of CSR for companies in Romania, as well as the challenges that must be overcome to achieve effective implementation. It is our hope that this paper will serve as a useful resource for companies and policymakers seeking to promote CSR in Romania and contribute to the sustainable development of the country.

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