

**PROMOTION OF CORPORATE SOCIAL RESPONSIBILITY
OF FOOD MANUFACTURERS IN THE EMERGING NATIONAL
AGRICULTURAL MARKET**

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Abstract

Are you a business owner or a senior manager? Is your business directed toward a healthy and long-term development? Are you worried about company's reputation? Are you oriented towards the increase of investment attractiveness? Are you interested in a mutually beneficial partnership with government and society? If so, then Social Responsibility should be a binding attribute of your Business.

This paper will describe the most important components, dimensions, aspects, elements gathering Corporate Social Responsibility (CSR) definitions. At the same time it's very important to generalize experience and practices of enterprises, firms, companies which carry out many activities in terms of social responsibility in different fields of the economy from industrial developed countries of European Union. Such European experience accumulated in the sphere of business approach to Corporate Social Responsibility is very useful for the economy of Republic of Moldova, being in transnational period and moving towards a Free Market economy. We aim to determine how to promote Corporate Social Responsibility among food manufactures within the emerging National Agricultural market, taking into consideration factors which allow the formation of social responsibility on owners, stakeholders groups, and employees.

Keywords: *Corporate Social Responsibility, environmental management, voluntarily contribution, sustainable economic development, improvement of the quality of life.*

JEL classification: A13, M14

1. Preface

Brief overview of the essence of CSR and its role in the economic and social development in industrialized countries, some considerations regarding the current development of CSR in the Republic of Moldova, and analysis of how food manufactures try to implement CSR within the emerging national agricultural markets has become the subject of this paper. Analysis shows an inappropriate level of CSR in Moldova, when social and environmental involvement is not a matter of course as part of a State Corporate culture. Until now we have not adopted a social responsibility program at National level. There are a lot of barriers to the economic relations, namely fiscal, credit, financial policies, normative regulations, level of inflation, limited solvent demand, limited national market, low level of foreign investments, incipient competition etc.

2. How is CSR embedded in the business process?

In 21st century the world economy is facing a significant phenomenon: the Corporate Social Responsibility. Right from the start we should mention that today's business approach to Corporate Social Responsibility is more and more integrated to social and environmental concerns facing the world.

Despite numerous definitions of CSR in the academic literature, economic analysis, reviews, different communications, reports, resolutions stated by the European Commission, the European Parliament, the World Business Council for Sustainable Development and the European Foundation for the Improvement of Living and Working Conditions etc., CSR remains an unsettled category. "The definitions show that CSR is nothing new at a conceptual level; Business has always had social, environmental and economic impacts, has been concerned with stakeholders, the government, customers or owners, and dealt with regulations. It has been managed through established patterns developed over many years; however, at an operational level the story is different. The context in which Business operates is changing at an increasingly rapid pace due to globalization. New stakeholders and different national legislations are putting new expectations on Business and altering how the social, environmental and economic impacts should be optimally balanced in decision making. In such a context CSR management tools are needed in addition to the previously established patterns, to develop and implement a successful Business strategy" [7].

Our target is not to present an exhaustive definition of CSR- we want to demonstrate more relevant characteristics and dimensions of this phenomenon. Currently, firms, companies, cooperatives financial institutions, banks, insurance companies understand and deeply define social responsibility like a Business. Social Responsibility is considered as a founding principle in the daily activity of the companies focused on investing more in the sustainable development, human capital (through better training, improvement of working and health conditions), in supporting cleaner environment on a voluntary basis.

In other words, CSR is a conception whereby firms and companies on a voluntary basis integrate environmental and social concerns in their Business and in their relations with the relevant internal and external partners.

Growing attention of companies toward investing more in the social issues and environment has a direct positive impact on their business activities by increasing all economic indicators including opportunities to expand in the markets, to pay more attention to consumers and investors. It means that economic and financial benefits generated by business activity are not an end result, but a tool to contribute to a better society, to maintain a cleaner environment, and to provide solutions for improvement of working and health conditions.

It's necessary to emphasize that the ultimate goal of a Business is equally divided in two parts: a) to obtain a maximal profit for the shareholders; b) to meet present economic, social and cultural needs of the people and their future aspirations. Business activity is equally centered on economic performance and increasing investments in order to provide solutions in terms of social an environment activity [3].

CSR is an action based on the principle of sustainable development which includes environmental, economic and social well-being for present and future times. What is sustainable development? Its definitions were gathered through an extensive review of journal articles and web pages. The most

frequently used definition is more significant than a definition rarely used. The most frequently quoted definition is from Our Common Future, also known as the Brundtland Report, states: “Sustainable development is development that meets the needs of the present without compromising the ability of the future generations to meet their needs. It contains within it two concepts: the concept of needs, in particular the essential needs of the world’s poor, to which overriding priority should be given and the idea of limitations imposed by the state of technology and social organization on the environment’s ability to meet present and future needs”.

Academic content of the CSR was defined in depth by Elkington (1999). His concept of the Triple Bottom Line means that the companies are considered to be acting in a socially responsible manner if social and environmental concerns are integrated into their business and if their activities are fulfilled beyond the legal obligations; their actions are not prescribed by law, and are based on ethical values.

The substance of CSR may be analyzed through internal and external dimensions. The *internal dimension of CSR or corporate citizenship* goes beyond legal obligations by providing a set of management practices to ensure facilitation of employment, investing more into human capital for empowerment of employees, to improve health conditions and ameliorate safety at work, long-life learning and responsible recruitment practices, primarily for ethnic minorities and for women, to ensure better transition from school to work, to obtain quality of work, and the quality of the workforce and their families. Responsible Business minimizes the negative impacts of its operation on society and preserves natural environment by investing in order to improve the quality of life of people and to obtain better communities where the Business operates.

External dimension: - a) means that CSR is involved in overall relationship of the enterprise with all its stakeholders: owners, investors, suppliers, business partners, employees, competitors, local community and government institutions; - b) provides more investments in the community affairs, employee relations, mainly in the interaction with local labor in order to create new working places, to develop employment, to implement codes for the determination of working conditions, human rights, environmental management at local and regional levels. In other words, Business operates in a manner that meets the needs of employees, others stakeholders, communities and considers natural environment issues, which will contribute to the sustainable success of the Business. In such a way internal and external dimensions of CSR are interconnected.

Specialized literature distinguishes three main models of CSR – American, European and Japanese. They share a common characteristic: business aims are infeasible and inseparable from the societies and environments within which they operate.

An investigation realized by the University of Miami (USA) called “A Guide to Corporate Social Responsibility” indicates that there are two types of arguments offered in favor of CSR: moral and economic. All companies in the society should try to add to economic profits other values which will provide solutions for a better life; interdependence between company and infrastructure offered by the society it is necessary for the common profit for both entities. Additionally to this idea, Charles Handy emphasized that profit is not the only target of a company in his work “What’s a Business for?” [Harvard Business Review, Harvard Business School Publishing Corporation, USA]. A Company achieving economic and commercial success, preserving the profitability should be able to do something more for society, only in such a way the company practically proves its existence and morality.

Many definitions of CSR are consistently and predominantly referring to five dimensions, namely: economic, social, environmental, voluntariness and stakeholder. Since CSR should be responsible for the company's effects on the environment and impact on social welfare, as well as on public good will on voluntariness bases, it must be defined through the above mentioned five dimensions.

- **economic dimension** – includes all elements of business operations, economic and financial activities, Companies' profitability and efficiency of the. As accentuated before the companies have the natural role and obligation to produce goods and services, and by selling them, to obtain a profit in favor of owners, shareholders and simultaneously to invest more in social, environmental and communities affairs in order to improve the working environment, the quality of life of employees and their families, social welfare and to maintain natural environment for future generations beyond legal obligations of the companies. All these targets are included in the companies' business plans and corporate management strategies.

- **social dimension** – the summarized relationship between economic activities of the business and the society, integration of social concerns in business operation, contributions of the business to a better society and social welfare.

The experience of many companies in different countries may reveal three possible directions in the treating and applying the social dimension:

- ⇒ Companies pay taxes in the total volume (agreed and in the white); the possibility of developing social programs is formed if taxes are paid partially;
- ⇒ Socially responsible business pays economically motivated and reasonable salaries. The adequate salary allows the staff to recover health, to receive education and to access cultural programs. In other words, the salary allows preparing staff families for the future. In such a way the salary is considered as investment in human capital;
- ⇒ Socially responsible business participates in charity programs. These programs support its reputation and show that the company is open for cooperation with the society.

- **environmental dimension** – means corporate environmental responsibility of business and is characterized by environmental management, economic operations interconnected with natural environment and social infrastructure, sustainable economic development achieved by balancing between the needs of the present and future generations, and between the need to make a profit and the needs of stakeholders, environmentally sustainable development correlated with public good will, well-being of employees and their families, local community and society on the whole;

- **stakeholder dimension** – means how business interacts with employees, stakeholder groups, competitors, investors, owners, suppliers, customers, government institutions and departments. The Company achieves economic and financial success in ways that comply with ethical values, by treating the stakeholders both within and outside the company in a social and responsible manner, acceptable in civilized societies. The company's policies consists in the integration of business operations with the interests of stakeholders including investors, managers, employees, customers, based on a wider scope to obtain profit, to preserve profitability and to improve the quality of life of the work force and their families, to increase the human development of stakeholders and their standards of living;

- **voluntariness dimension** – refers to CSR activities concerning business operations performed by the companies on a voluntary basis. Such actions are not prescribed by law. Self-contribution of the companies to the development of local communities and society, as a whole, is based on ethical values, beyond legal obligations.

The widest interpretation of social responsibility includes:

- corporate ethics
- corporate-social policy with regard to society
- environment protection policy
- principles and approaches regarding corporate management
- respect of human rights in relation to suppliers, consumers, and personnel
- personnel policy.

Every year European and American companies spend billions of dollars for Corporate Social Responsibility and especially a social activity responsible for accounting and logistics. The Corporate Social Responsibility success has become a deciding factor for company's capitalization.

Currently there are determined managerial issues, standards and social reporting forms for all companies and firms in the U.S. and in the industrialized European countries.

3. Integration of CSR in business activities of food manufacturers

The current socio-economic situation in the Republic of Moldova requires continuous reforms of legal and economic environments, if the strategic objective seeks to create a functional, efficient and socially oriented business model. Its opportunity is supported by the following facts:

- The need to adapt the national business to developing long-term objectives based on ethical - social norms. This means connecting the qualitative parameters of the national economy to the standards and regulations of international economic environment's operation.
- The activity of local business, especially of the agricultural-food sector, is influenced by the external environmental factors within a low-protected domestic market. Internally on the market, more powerful influences and geo-political changes can be noticed, e.g. globalization processes, changes in the ownership structure, emphasizing the need to ensure compliance of the private sector economic potential with social reality of the environment and with society as a whole.
- The current phase of reforming the economy and developing the national business, particularly of the food sector, requires identification of macro and microeconomic solutions in order to minimize the consequences of socio-political crisis.
- The distribution network and existing commercial logistics show interest in promoting the production and distribution of foreign goods as well as supporting the relevant price policy to the detriment of local production. This situation creates disadvantages for both, local producers and socially vulnerable categories of population.

Present findings show that in terms of food market formation and of its current development stage domestic manufacturers of agricultural and food sectors gave up their positions within domestic market and need government protection. The share of local food domestic production tends to decrease. In a changing environment, the producing companies and organizations must provide financial and economic stability regarding development and to perform social functions. With modest market positions they are active in the performance of social activities. Most of them are involved in occasional and partial activities.

In our opinion, social activities of local business sectors, including the food sector, will be active and effective after changing the priorities and objectives by restructuring business based on socially oriented ethical principles.

Multiple researches, carried out in several countries, show that there is direct correlation between the quality policy of social responsibility and economic and financial results of companies. The leaders in the field of business ethics [“Business Ethics Best Citizen companies”] that have demonstrated economic indicators [increased sales, income, net profit, cost of shares, etc.] higher than by 10% in comparison to the rest of 500 index Standard & Poor’s eloquently illustrate the concept of promoting social responsibility [research conducted in the DePaul University, USA].

Examples of foreign firms and joint ventures, and some domestic companies operating on the internal market demonstrate the same correlation.

Obviously, competitive fight is given for consumers' limited solvent demand, particularly on the domestic market of the Republic of Moldova.

The problem of competitive strategy selection can be resolved by adapting the strategy to support decisions regarding internal social interests of the company, consumers and the society, but the issue of restructuring the business in terms of social orientation is linked to a number of gaps inside business. These are demonstrated in the market subjects section (Table 1).

Thus, Corporate Social Responsibility becomes the responsibility of organizations and individuals in the organization of business and society.

Table 1: Social problems in the business environment

№	Subjects of the market	Social problems	Origin
1	Manufacturing companies and enterprises	1.1. Workforce migration outside the country 1.2. Commercial espionage 1.3. Migration of staff toward competitive firms 1.4. Level of compliance to social security 1.5. Staff requalification 1.6. High level of trauma and professional diseases 1.7. Non-observance of working discipline	1.1. Search of favorable working conditions 1.2. Lack of qualified staff 1.3. Lack of social infrastructure 1.4. Structural changes in the promotion sector 1.5. Low level of compensation 1.6. Low cultural level regarding production process 1.7. Low level of corporative culture
2	Distribution network	2.1. Retail prices growth 2.2. Inflation process 2.3. Increase of transportation costs 2.4. Injuries 2.5. Staff migration	2.1. Chaotic increase of intermediary networks 2.2. Energy resources price increase 2.3. Corruption 2.4. Lack of control when observing working security in intermediary structures 2.5. Attempt to find more favorable working conditions
3	Suppliers	3.1. Non-transparent logistic networks 3.2. Non-transparent supply chain, causing sharp price variations and negative consequences 3.3. Inadequate administration of procurement process and supply.	3.1. High mobility (activeness) regarding the exchange of business relations’ owners and fulfillment of contractual obligations 3.2. Long domination of distribution channels

Source: Adopted to [4, p.20].

Companies that proceed according to this view have different opportunities, namely:

- improvement of financial indicators
- decrease of operational costs
- improvement of the image and reputation
- increase in sales and consumers' loyalty
- reduction of staff fluctuation, increase the personnel's loyalty, increase the staff's motivation
- decreased pressure from the inspection bodies
- access to capital.

Restructuring of the Business based on ethical marketing principles reflects the links between macroeconomic and operational processes (at the level of the market's subject). Social problems and the causes listed in Table 1 are typical for several markets in South-Eastern European region; these only differ in their degree of complexity, manifestation and influence. In the case of food sector producers the problem is amplified by the necessity of awareness of forming the public opinion in terms of social orientation as a strategic business objective.

Business restructuring concerning the social orientation of the whole process should be seen as a strategic stage (review process) and operational status (active process, tactical). This approach is based on the differentiation of marketing as strategic and operational and positioning against competitors [1, p.132].

Strategic status reflects macroeconomic issues and includes the following steps:

1. Developing principles and requirements concerning the organization of socially oriented market environment or the formation of market infrastructure;
2. Ensuring the chain of intermediaries according to the above principles;
3. Developing a socially oriented system of producers in agriculture and processing industry;
4. Developing standards and determining the size of social support based on the requirements of the population;
5. Social positioning of the company.

Next step is solving operational objectives, such as:

- identification of social environment and development of diagnostic criteria for the most appropriate type of organizational structure;
- development of restructuring programs for commercial intermediaries in the concept of social marketing;
- designing complex system (social, organizational and marketing) of producers' social orientation in the context of "4 P's" (promotion, price, produce, placement);
- evaluation and classification of social needs, determining budgets and social efficiency;
- development of plans, organization of control, positioning of products (services), activities, elaboration of social report.

Social positioning of the business shall be interpreted as creating a company's and business's image in accordance with ethical and social requirements submitted by the company. The social environment of business is influenced by several factors grouped into three categories [3]:

- a) external social macro-environment factors - social factors of the global market, state social policy, social technologies, mentality, culture, business traditions;
- b) external social micro-environment factors - relationships between competitors, suppliers, trading intermediaries, consumers;

c) micro-structural internal factors - organizational structure, personnel policy, social aspects of management, business ethics, traditions and corporate culture.

Mutual action of external environmental factors and objectives of restructuring the producers' business (strategic and operational objectives) based on the concept of social responsibility are shown in Figure 1.

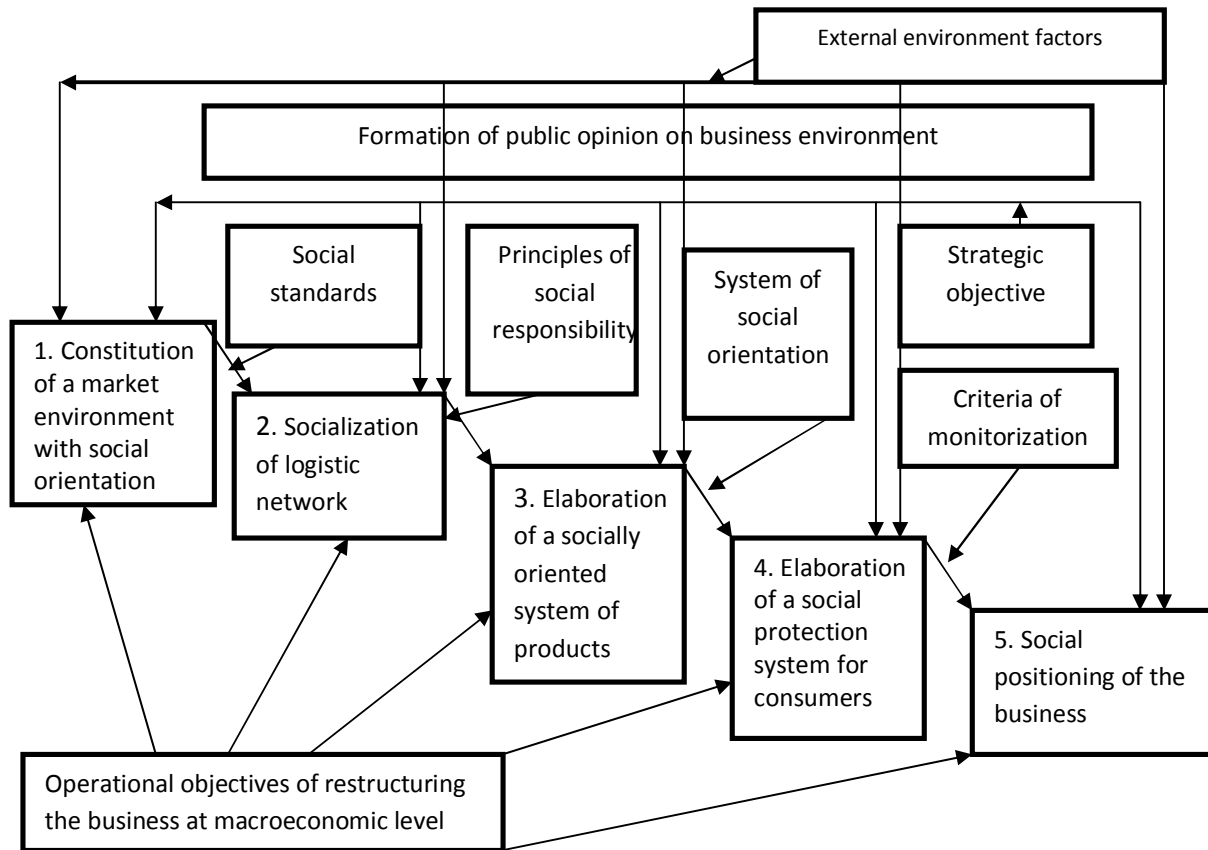


Figure 1: Possible stages of restructuring business at macroeconomic level

Source: [5, p.11].

The process of restructuring the food industry business will be initiated to identify the socio-economic problems, formulate the operational objectives and look for managerial decisions on their solving.

Agriculture as a specialized human activity includes not only the production but also the distribution of goods and services. The wide spread in the territory due to the spread of food supply and demand determines the degree of use. Ensuring the food security and protection of natural resources involves established population in all rural areas and certain effective mechanisms to regulate the relationship between supply and demand of agricultural products.

Currently, the agricultural sector of the Republic of Moldova is characterized by the following situations:

- 1) Agricultural production increased by 3.4 billion lei in 2012 compared to 2008.
- 2) Main producers of agricultural products are household farms which are attributed 50.8% of the total production. Collective farms represent 16.6% of total agricultural enterprises, assuming 32.2% of the total production.
- 3) Main indicators of agricultural enterprises activity in 2008-2012 are estimated as follows:

- The number of farms has decreased from 1573 in 2008 to 1489 in 2012;
- The fixed funds of agricultural production have increased by 631 million lei;
- The number of unprofitable farms has increased from 552 up to 794 during 2008-2012;
- Labor compensation fund has decreased by 10 million lei;
- Monthly average compensation accounted for 1034 lei in 2008, and has grown to 1652 lei in 2012.

Table 2: Indicators regarding the number of enterprises and the average annual number of employees involved in the food production industry of the Republic of Moldova

№		Total number of enterprises and production units					Annual average number of employees involved in industrial activities (thousand persons)			
		2008	2009	2010	2011	2012	2008	2009	2010	2011
1.	Industry - Total	46177	4922	5277	4895	4994	115.1	105.4	106.5	89.8
2.	Processing industry	3999	4354	4630	4506	4509	96.0	86.5	87.3	71.2
3.	Food and drink industry	1427	1478	1457	1342	1308	35.0	31.7	32.5	26.7
4.	Production, processing and conservation of meat and meat products	182	189	195	182	175	3.0	3.0	3,3	2.8
5.	Processing and conservation of fruits and vegetables	94	105	106	79	86	4.3	3.1	3.2	2.6
6.	Production of dairy products	47	51	46	35	37	2.7	2.4	2.6	2.9
7.	Production of bread and pastry products	295	301	293	264	249	7.1	6.9	7.0	5.4
8.	Sugar production	6	6	7	5	5	1.2	0.8	1.0	1.0
9.	Production of alcoholic drinks	19	19	19	19	17	2.1	2.0	2.0	1.5
10.	Wine production	136	132	130	99	99	7.4	6.2	6.1	5.4
11.	Production of mineral water and soft drinks	38	48	46	42	40	0.7	0.8	0.8	0.7

Source: [8, pp.287-288].

The world market plays a major influence on the development and enhancement of social responsibility. Global market's trends, conditions, limitations, changes in the social environment will determine the directions and dynamics of changes, competitive nature, motivations of consumers' behavior and the possibilities of home market's subjects. Consumers' preferences and demands are changing, features related to security, environment, external appearance and other social parameters have become more evident and should be connected to the local producers' offer.

In addition to that, producers should be able to increase supply according to the continuous growth in consumption, including the developing countries.

From the social point of view the producers are called to change the guidelines focused on purely economic interests to those focused on social and economic interests.

A major problem is the issue of socializing the commercial supply chain. The key issue in this regard is lack of transparency. In conditions of domestic market, the existence of a current system of statistical and book-keeping evidence meets difficulties in finding clear distribution channels, especially for imported products. This situation creates premises for "the black import" (penetration of counterfeit products of inadequate quality).

For these reasons, business restructuring in the concept of social responsibility requires the development of organizing principles, monitoring and controlling of the entire process of distribution channels and members of the distribution channels.

Another important objective of increasing social responsibility is the development of social orientation of producers. In this context the decisive factor is played by the state, which regulates in a certain way all aspects of Business functioning, it is its priority in the socialization of production relations. But there are also a set of limitations of economic, administrative, organizational, information nature, etc. as shown in Table 3.

Table 3: Barriers to socializing business

№	Category of barriers	Characteristic of barriers	Influence of barriers
1.	Economic	Fiscal, credit, investment policy.	Level of inflation, reduction of demand.
2.	Administrative	Normatives, rules.	Limitations and barriers at registration, customs formalities.
3.	Organizational	Market infrastructure, assurance with production factors.	Low level of reporting investments and technologies.
4.	Informational	Unfair competition.	Monopolization of market (business), social conflicts.

The consequences of these barriers are reflected in non-payable costs, high level of inflation, low demand.

When speaking about social programs, the most popular programs for companies are:

1. Staff development

Social programs are aiming at the promotion of staff (education, use of motivational schemes when paying the staff, provision of social packages, creation of conditions for rest and recreation, support of internal communications systems).

2. Occupational safety and health of employees

These programs include: working safety factors, medical service at production enterprises, establishment of sanitary-hygienic conditions within production enterprises, support to the maternity institute, prophylactic diseases.

3. Business restructuring in the context of responsibility

These programs are carried out in manufacturing companies primarily in the interests of staff, providing information clarifying the restructuring processes as well as providing continuous improvement.

4. Environmental protection

These programs are done in order to minimize the impact on the surrounding mechanism.

Diagnosis and behavior factors that influence the image and manufacturing companies' behavior: production in the internal and external environment, business decisions related to the socialization of their activities. Change in all areas of activity would contribute to dissemination and implementation of the concept of social responsibility, social positioning of the companies will contribute to the enhancement of this phenomenon in the domestic market.

4. Conclusions

Taking into account the above mentioned definitions, models, dimensions, characteristics of CSR in both, the corporate and the academic environments, it is considered that CSR has transformed in a major movement, beginning to dominate the business environment. The term “Corporate Social Responsibility” became popular in the 1960s, and has remained far more used indiscriminately by many to make legal and moral responsibility more narrowly constructed [3]. Small and large companies, enterprises, firms, corporations, organizations are devoting real time, money and management support toward corporate social responsibility. In the Republic of Moldova a few years ago the academic community began to discuss CSR phenomenon and its importance for National economy. Today, for some industries of Moldovan economy CSR is only at its beginning phase. Despite of CSR significance until now there is no national strategy for the development of social responsibility among firms, corporations, companies. As it was mentioned above, Moldovan business environment and CSR in national agriculture and food production encounter many obstacles and problems, such as migration of labor force outside the country, low level of remuneration and corporative culture, inflation process, increased prices on energy sources and transportation costs, absence of transparency in management. Currently all these factors are making the process of CSR implementation difficult on the National level.

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