HOW MEASURING CSR PERFORMANCE IMPACTS CSR RESULTS?

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Abstract

CSR is a global phenomenon, which draws the attention of a growing number of partisans, both business people and consumers. Managers can use this trend to their company's benefit, to achieve sustainable development and to gain the community's sympathy. More and more companies are investing heavily in philanthropic and environmental initiatives, demonstrating that CSR can no longer be perceived as a simple cost made randomly and without a clear strategy. To support the theoretical approaches deduced from the existing literature, the authors have conducted an empirical qualitative research, with the aid of a questionnaire sent out to top managers, HR managers and heads of CSR departments within large companies that operate on the Romanian market. The research is based on the analysis of 87 questionnaires and aims to highlight the impact of social responsibility policies on the company's results by detailing the causal relationship between the instruments used to measure social performance and the benefits achieved through CSR policies. The conclusions drawn have a great relevance both theoretically and especially practically because they allow the creation of a reference model of CSR efforts in a developing country such as Romania where there is no clear framework to sustain these type of initiatives.

Keywords: *CSR, social performance, measurement instruments, Romania*

JEL Classification: E00, H10, M1

1. INTRODUCTION

Corporate social responsibility (CSR) is a phenomenon that emphasis how future generations will be shaped, making top management to reconsider business priorities. More and more companies are investing in CSR, demonstrating that CSR is no longer seen to be just an operational cost or a restriction imposed by the law, being a source of competitive advantage and a process through which the company's performance can be increased (Porter and Kramer, 2006).

CSR tends to be extremely complex once we refer to the range of elements that must be taken into account, namely: economic, legal, ethical and social responsibility (Connolly, 1983) being perceived differently based on the interest of the actors involved - consultants, shareholders, employees, consumers, state authorities, etc.- which makes even more difficult for companies to choose their approach towards CSR. Multiplicity of CSR standards led to a series of structures, rules, procedures, processes, etc., aimed to guarantee corporate performance in areas such as human rights, environmental standards, anti-corruption efforts, social involvement of stakeholders, with a tremendous influence on corporate governance (Albareda, 2013; Jamali, 2010; Rasche, 2010; Nistor and Beleiu 2015). Social responsibility practices tend often to constrain a firm's actions, because the company must comply with ethical and moral principles – that are not always in the company's financial interest (Wickham, 2001).

Even if the purpose of implementing CSR policies is to obtain further benefits, a firm is rarely criticized for social involvement, but the situation changes once a company will remain eternally indifferent to such practices (Vander-Werf and Brush, 1989). As long as the company's actions have also a negative impact on society and environment, CSR play a major advocacy role in this relation with external environment, strengthening the relationship with external stakeholders, sometimes finding their true allies in augmentation of company's legitimacy (Gray et al., 1996).

Social responsible policies are beyond business interests and requirements imposed by law (McWilliams and Siegel, 2001, p. 117), but what becomes less obvious, are economic and moral reasons that determine social and environmental actions. Husted (2005, p. 177) notes that CSR is a form of investment and a reaction beyond the rigors of economic, technical and legal restrictions, which is meant to provide social and economic benefits.

Considering that responsible behaviour can no more be neglected by large companies that want to achieve sustainable competitive advantage, we do consider that providing insights of how companies should evaluate their responsible activity and actions, provides useful recommendations to large companies that want to use CSR not only in beneficiaries interest but also in companies interest. Thus, this article wants to underline the relation between some indicators used by large companies that operate on Romanian market, to measure CSR and the benefits of this on their performance. In the next part we will how CSR performance should be reflected with the purpose to present a perspective about the implications of CSR measurement indicators used to evaluate social performance.

2.   IMPLICATIONS OF CSR MEASUREMENT

Social responsibility performance measurement represents an appealing topic that captured numerous researchers and practitioners attention, willing to provide answers about how CSR impacts company's performance at economical, social and organizational level (Lindgreen & Swan, 2010).

It has been noted that long-term well consolidated CSR strategies, have a beneficial impact on financial performance, strengthening company's ability to achieve competitive advantage, as a result of an increased interest on company's products and services (Mishra and Suar, 2010; Smith, 2010). Understanding the importance of this phenomenon makes extremely important the implementation of social and environmental standards within company's daily activity. CSR leads to remarkable results not only in the benefits of the company, but also in the society's interest. Colle et al. (2014) identified numerous benefits arising from the implementation of CSR standards such as (1) developing frameworks for principles and values within the company, (2) reduce confusion through an universal language, methodology and common practices, (3) facilitates stakeholders involvement, (4) provides the premises for change, (5) raise companies' awareness and (5) determine employees to become more responsible. Nevertheless, in the absence of explicit models to quantify non-economical results, there is a high risk that companies effort become overlooked (Nelson, 2007).

A widely accepted opinion is given by the need for social responsible and sustainable models (Visser, 2013; Egbeleke, 2014), to facilitate companies

struggle to achieve a performing management in a sustainable manner. Through social performance measurement system, a large number of companies evaluate CSR performance from a cost-benefit perspective (Barnett and Salomon 2006) by establishing clear instruments and frameworks meant to ensure the transparency with the major stakeholders (European Commission, 2011; Corporate Citizenship, 2012; Egbeleke 2013). CSR leads to programs development, designed to raise operations carried out within the value chain (Porter and Kramer, 2006), actively influencing companies involvement to find new frameworks and reporting methods for the achieved results (Egbeleke, 2013) as well as finding relevant models that can rise performance in the field (Katsoulakos & Katsoulacos, 2007; Visser, 2013).

Over time there have been numerous proposals of how to measure sustainable performance and Corporate Social Performance Model, Triple Bottom Line, Bottom of the Pyramid, the Strategic Concept of CSR, CSR DNA model are some of the most relevant and frequently named. Measuring CSR performance, often becomes a challenge because of the lack of consistency of social and environmental actions that are not always properly integrated into the overall strategy of the company and do not take into account stakeholder engagement in the process (Visser, 2013). Thus, Nelson, (2003) recognized the need for an efficient knowledge management process, that would enable companies to develop rules and regulations, with the role of guiding them due to their struggle for sustainable development. This can never occur without a coherent strategy to sustain the information system that streamlines the procedure of collecting, processing, storing and making knowledge available to the users.

The procedures used to measure CSR, underlines its role in overall companies' values reinforcing the idea that those corporations that have a CSR based strategy, use complex frameworks to benchmark social and environmental practices, having a direct influence on companies' performance. In the next section we underline the results of our research that means to address this topic, by observing how measuring CSR impacts the main benefits perceived by the company.

3. RESEARCH METHODOLOGY

Researchers using various methodologies have reached different conclusions about the influence of CSR on financial performance, identifying a positive rela-

tion (Lee, Leo and Sharma 2013), or no significant influence (Aguinis and Glavas 2012; Margolis et al. 2009; Renneboog et al. 2008). This study is designed to highlight the most important CSR benefit perceived by large companies that operate in Romania, and to propose a model that comprises the most important instruments that enable companies to reach high CSR performances. Also, we will present the most relevant instrument, that should be considered to reflect CSR performance and the type of relation established between these instruments and benefits perceived by the company.

The research is based on the analysis of 87 questionnaires, and the respondents were top managers, HR managers and heads of CSR departments within large companies that operate on Romanian market. The implementation process took place from November to January 2015, and has reached 1146 large companies operating on Romanian market, via e-mails. We got 87 valid answers and a response rate of 13.17%. Although this is a low percentage due to the topic addressed, the results can be very well generalized and clear strategies might be highlighted.

The hypotheses established were the following:

H1: There can be identified at least two different typologies of companies: one that associate CSR with a complex phenomenon that has major influence on companies activity, at different levels and another that strongly relates CSR benefits with a financial results.

H2: There is a causality relation between the instruments used to measure social performance and major benefits perceived by company.

The limits of this study is given by the small number of respondents, which stems from the method used to disseminate the research instrument, the low availability the respondents to fill in the questionnaire, the lack of readiness and of social awareness, and the difficulty of finding suitable respondents to provide reliable answers.

4.   RESULTS INTERPRETATION

With the purpose of transforming descriptive results in groups of variables that characterize the main dimension of CSR benefits, as well as understanding the correlation between analyzed variables, we have performed factorial analyses. The KMO indicator is 0,711, and the Total Variance Explained formed

three factors that explain 76,654% of the model variation (V1=55,571%; V2=13,519%; V3=7,395%). The variables components of the three factors describe three different typologies of CSR benefits. First factor emphasizes a complex perspective on the CSR results on companies' activities, and underlines the idea that CSR influences all major components of a business. If CSR becomes a core value in companies' strategy, it can become a major instrument used to reach higher performances and sustainable competitive advantage. The second factor obtained, describes CSR benefits from a financial perspective that leads to efficiency in terms of costs and higher returns, meaning that between CSR results and financial results is a causality relation. The third factor describes that CSR provides the perspective of a stable and secure company that attracts new investors and facilitates the access to alternative sources of finance. Benefits provided by CSR practices, depend on how each company manage and develops them, and how big importance it is attributed to them. Following a factor analysis, we identified the most important variables that registered the highest value in each dimension. Thus, we have obtained three variables as follows: **Fact. 1**: Expanding relations with civil society = 996; **Fact. 2**: Increase market share = 0.991; **Fact. 3**: Attracting potential new shareholders in the company.

To identify the correlations between the instruments used to measure CSR and the most important benefits provided by it, in company's interest, at the level at each factor, we chosen those variables that registered the highest value. The reason for doing this was to explain how measuring CSR can influence the most important benefits identified at the level of each typology. The instruments considered as independent variables were: "return of socially responsible investments – SRI", "companies' contributions to local community", "measurements used to evaluate sustainable development (ex. GRI Standards)", "procurement practices used (ex.compliance of business partners/suppliers with company's code of ethics)", "consumer education process promoted by the company" and "litigation due to fraud and false advertising".

After including the factors identified to create a linear regression model, resulted that "expanding the relations with civil society", increases as the company contributes to the development of the community, as measures used to commensurate the sustainable development within the company intensifies, as companies focuses more on customer education and pay attention to procurement practices used (see table 1). Among the variables considered, sustainable

development (Xi2) has the highest contribution in establishing a good relation with civil society.

The statistical formula of linear regression is: $Y=1.188+0.446*Xi1 +0.615*Xi2 +363* Xi4+ 0.454* Xi5$.

Table 1. Coefficients- Expanding the relation with civil society

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.188	.297		4.000	.000
Return of Socially Responsible Investments - SRI	-.021	.079	-.022	-.269	.788
Company contributions to local community, community rights, jobs creation etc.	.446	.100	.488	4.444	.000
Company sustainable development	.615	.149	.551	4.133	.000
Procurement practices	.363	.107	.336	3.388	.001
Consumer education process promoted by the company.	.454	.090	.506	5.069	.000
Litigation due to fraud and false advertising.	.181	.109	.201	1.666	.100

Dependent Variable: Expanding the relation with civil society

It is noted that the variation model represents, approximately, the test value $F = 27.768$ and the value of materiality is $p = 0.000$, where $p < 0.01$, demonstrating that the variation explained by the model is not random but is influenced by the considered factors. The intensity of the bond established between the model and the dependent variable, where $R = 0.849$, that indicates a linear correlation between the values observed of high intensity.

The identified linear regression after variable analysis lead to underline which of them contributes significantly to the growth of market share; we observed that if company puts more focus on investments with social impact, contributes directly to community development and thus is drawn into a process of sustainable development, being focused on procurement practices but not neglecting the correct information of consumers; the result is a growing market share. Among variable taken into account, "company's contribution to local community development and respect of human rights"- (Xi2) and "procurement practices" – (Xi3) had the greatest contribution in obtaining the analyzed benefit in direct relation with the others identified factors.

The statistical formula of linear regression is: *Y=1.325+0.384*Xi1 +0.544*Xi2 +0.553* Xi3+0.441* Xi4.*

We observe that the variation of the model represents, approximately, the value of test F=22.696 and the value of the materiality is (p) = 0.000, where p < 0.01; this demonstrates the fact that the variation explained by the model is not random but determined by the factors taken into consideration. The bond strength between the model and dependent variable is underline by the value of R = 0.824, indicating a linear correlation of high intensity between observed values and the ones predicted with the model.

The linear regression identified allowed us to observe the variable that contribute most in attracting new potential shareholders in the company. We observed that out of variables considered, only procurement practices, contribute significantly to the company's reputation.

The statistical formula of linear regression is: *Y=1.588+0.800*Xi1*

It is noted that the variation model is approximately, test value F = 8.163 and materiality is p = 0.000, where p <0.01, demonstrating that the variation explained by the model is determined by the factor considered. The intensity correlation between the model and the dependent variable (where R = 0.658), indicates a linear correlation between the value observed and the one projected using the model.

5. CONCLUSIONS

The company's willingness to invest in CSR is influenced by values, principles that govern not only the future strategy of the company, but also its market approach that provides the foundations for CSR practices. Through this article we wanted to observe the causality relation between measuring CSR and major benefits perceived. Companies might see in CSR a powerful instrument to increase performance, by investing in new business practices that are less noxious to society and environment. Therefore knowing how certain factors contribute positively to the development and growth of the company, is essential as the existing trends impose clear variations between factors and their power of influence. Any company aims to ensure its continuity on the market and to reach profitability, that is why CSR gets to play a major role not only in the fulfilment

of this mission, but also in strengthening and developing the company's organic growth, making the research of this process to become eminently necessary.

This study highlights three different types of companies that assign different contributions to CSR. A first typology confer to CSR a major role that impacts companies key activities, a second that identifies a direct relationship amongst CSR and costs and benefits involved and a third that underlines that CSR may influence the decision of investors to place their capital in socially responsible companies.

The article offers insight into how major companies operating in Romania can use several tolls that address social responsible behaviour, in companies interest, by providing the calculation methods that should be used to reach higher benefits. Using instruments considered relevant for measuring the impact of CSR requires an increased attention to those aspects which influence significantly companies perception about the benefits provided by CSR, allowing prioritization and focus on activities that contribute significantly to the development of the company. Nevertheless, instability and uncertainty that characterizes our economic times force companies to think twice when it comes to investments, by prioritizing them. This article wants to sustain companies in their struggle to reach efficiency and sustainable development.

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