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## Article

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## CORPORATE SOCIAL RESPONSIBILITY AND THE SUSTAINABLE COMPETITIVE ADVANTAGE

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### Abstract

Being currently under the pressure of the various imbalances induced in the natural and social environment and faced with the deficiency of its own incremental growth, the economic system – which is exclusively focused on the economic performance – is currently going through a stage of global structural changes meant to connect it to the simple values of the community, society and even humanity as a requirement for its survival and development through the sustainable competitive advantage.

Taking into consideration that globalization tends to quickly standardize technologies and to equalize the rates of profits, the area of competitive advantage is extended beyond the area of economic factors (product differentiation, cost reduction, etc.) in interferential areas, where factors such as social responsibility assumed by corporations become levers to increase competitiveness.

Corporate social responsibility circumscribes the company's set of obligations to the stakeholders (individuals, groups or organizations that are directly or indirectly affected by the actions, goals and policies of the corporation) in a certain system of reference. The multiple groups that make up the reference society of a corporation lead to a multitude of expectations. The legitimacy of these expectations embraces various degrees of validity.

Responsibility is a continuous dynamic process meant to harmonize and balance the interests of various groups and the roles they play in relation to and for the purpose of the common good.

So far, no system of indicators has been unanimously accepted and no methodology has been crystallized for measuring the effect of the social effort made in the sphere of social responsibility. Nevertheless, research performed over the past years has shown that an ethical behaviour involved in the issues of the natural, social and business environment has an obvious positive influence on the reputation and sales of the corporations.

The corporations' competitive strategies should include – apart from specific goals such as market share, product differentiation or smart promotion – the goal of harmonizing stakeholder expectations. In this context, the commitment to social responsibility becomes an important pillar in gaining the partners' and the public's confidence, along with a recognition that would strengthen the company's market position and its commitment to a competitive sustainable approach.

**Keywords:** social responsibility, social performance, sustainability, competitive advantage

**JEL Classification:** D01, D60

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## Introduction

The mechanisms of today's reality – seen as an objective process anchored in global market opening and supported by the achievements of science and technology – are limiting the corporate horizon of development due to the increasing environmental problems, the scarceness of low-entropy resources and the profound changes in social morphology. Focusing on the typical outcome of industrialism, yet constrained by the need to use the limited resources effectively and to win over the tough competition, corporate activities have dangerously accelerated the entropic degradation and have become a factor of global imbalance. The inherent imbalances thus accumulated, the distortions brought about by this concept of economic performance, the serious contradictions between them and the arguments regarding the welfare of the society have caused the reference system of welfare economics to expand along ecological and socio-cultural coordinates, while the industrial paradigm has changed by placing the issue of microeconomics in a more complex relationship with the macro-environment and with the proximity of the community. In this context, we need to redefine corporate performance by including the notion of social responsibility and by developing an assessment and measurement system that would allow various quantity and quality, time and space comparability for this responsibility. From Milton Friedman's theory stating that the corporations' sole responsibility was to be profitable under the requirement of complying with the rules, new theories have emerged and pushed the system of economic performance to the intersection with other systems. Social responsibility, business ethics, public interest or working environment are notions required for assessing the sustainable competitive advantage at microeconomic level.

The stage in which corporations, in order to assess their identity, under the pressure of the insufficiencies typical of the system, defined themselves as distinct bodies of the society – having their own mission, philosophy, culture and policies – has been followed by a stage of global structural changes meant to connect them to the simple values of the community, society and even humanity as a requirement for their survival and development through the sustainable competitive advantage. The active and aware public has reached the opinion that it needs a commitment to social responsibility and that corporations should amplify that commitment as a requirement for their sustainable development and survival. The corporations' competitive strategies should include – apart from specific goals such as market share, product differentiation or smart promotion – the goal of harmonizing stakeholder expectations. In this context, the commitment to social responsibility becomes an important pillar in gaining the partners' and the public's confidence, along with a recognition that would strengthen the company's market position and its commitment to a competitive sustainable approach.

In this approach, the authors propose to:

- structure the referential of the theoretical accumulation in which social responsibility is approached;
- define the system of stakeholders in which the social responsibility, as a complex, versatile variable, consists of a set of actions which optimize the corporation's response to diverse and conflicting requirements;
- describes the interference of social responsibility, as a result of causes that lie in different interests, with the system of economic performance;

- propose approach methodologies based on strategic analysis and regional competitiveness, considering that it depends largely on the competitive ability of the economic entities owned.

The authors hope that by setting up a general framework of the social responsibility they establish the coordinates needed for a good evaluation in a research program on regional competitiveness.

### **1. Considerations of social responsibility**

A series of theoretical and practical researches have emphasized the need for a new paradigm that might guide the economic research and analysis, thus redefining corporate performance and competitiveness by including the concept of social responsibility. Here are a few of these advances:

- a systemic approach of the economic environment as an element of the macro-environment interacting with the whole and with each of its components; interdependencies are relevant and the whole is greater than all subsystems. By applying the general theory of systems we have the instrument we need to understand complex non-linear systems (people being one of them) where elements interact in a holistic manner and where reverse connections are multiple, their reverberations being hard to explain by mathematical or logical relationships. Resisting to the pressure of many external influences, such systems modify their behaviour under the action of certain highly impacting parameters. The complex interaction between the reverse connection loops and the non-linear relations leads to major mutations (Demetrescu, 1983, p.19). As a basis of the systemic approach, dialectics reveals that the contraries present within every system and the power of accumulation turn quality transformations into a perpetual becoming. The basis of knowledge is limited neither to the whole nor to the individual parts. The “closed system” or circular flow approach of the economic system, which saw it as anchored in its own limited paradigm of profitability, helped us to timely notice the accelerated process of “transformation of low entropies into high entropies, i.e. non-recoverable waste or pollution (the entropic process of the economic environment is human dependent, as man has the discernment to choose and thus introduce the impact parameters into the entropic process)” (Georgescu-Roegen, 1971, p.457); moreover, this approach helped us to assess the impact of externalized costs on the economic output. The consequences of this attitude on the environment compel us to approach the economic environment in a systemic way, by taking into account its multiple interdependencies with the macro-environment and its complex holonic interactions;

- the concept of sustainable development has been adopted as a basis for planning and leading our way of life in a universal sense, in the present and in the future (Declaration on Environment and Development, 1992) and our whole set of socio-economic activities is now evaluated from a sustainable point of view.

The fundamental goal of the European Union is sustainable development, which consists in maintaining the planet’s capacity to support life in all its various forms, and which requires:

- economic prosperity based on ensuring the long-term competitive advantage, viability and prosperity of the economic operators and communities they belong to, but also on increasing the quality of labor by providing proper payment and working conditions;

- social equity and cohesion - by improving the quality of life in the communities that coexist with the corporations, by getting them involved in activity planning and management in order to capitalize on all the opportunities, by protecting the communities' traditions and specificity and by joining the community forces with the corporations' own force;

- protection of the natural and cultural environment by minimizing pollution, global and local degradation of the environment, by cutting down the use of rare resources, by maintaining and amplifying the cultural heritage and local biodiversity and contributing to their appreciation and conservation.

The pillars of sustainable development are at the same a reference system for corporate social responsibility, which is considered to be a component of the new economic paradigm;

- the impact range of the corporation's activity has been widened to include the concept of stakeholders and it has become the object of exhaustive research. Stakeholders are the individuals, groups or organizations that are directly or indirectly affected by the actions, goals and policies of the corporation. This concept was built on the idea that companies unfold their activity in areas regulated by the authorities, engaging in complex relationships with a series of co-interested partners, and that the products or services they create are necessary for consumers who are concerned about obtaining them. Thus, apart from the equity investors (who are interested in the status and growth of the investment, as well as in their ability to generate the forecast earnings), stakeholders have come to legitimately include the employees (who are interested in workplace stability, wages level, possibility to have good working conditions), the creditors (who are interested in the viability and profitability of the projects they grant loans for, in reimbursement at maturity and in obtaining the adequate income), the suppliers (who are interested in the maturity payment of the deliveries and in the future of the partnership, especially if their own strategies include this type of relationship), the consumers (who are interested in obtaining the respective products or services, especially when they have an important weight in individual consumption), the authorities (who are interested in assigning the resources, charging the due taxes and having a real basis for preparing the local or state budgets) and the communities (who are interested in the creation of jobs, local inter-corporate relations and prosperity). M. Porter's value chain and the upstream/downstream concatenation of activities with the suppliers'/distributors' chains have underlined even more their importance in mutually achieving the corporate performance objectives. It is believed that, consistently with social responsibility, corporate management should empathize with stakeholders, its duty being that of improving stakeholder satisfaction;

- strategic management instruments have been created to support long-term corporate development consistently with the major tendencies of the society. By rigorously analyzing the typical strengths and weaknesses of corporations in conjunction with the constraints and opportunities of the environment, and by detailing the success factors in accordance with the individuality of each corporation, we may determine which future strategies would ensure the perenniality, and growing richness of that corporation. The constraining force of external or internal stakeholders and the incongruence of their expectations have driven corporations to include the goal of increasing their satisfaction into their strategies, as a requirement for preserving their competitive capacity on the long term. At the same time, by increasing stakeholder satisfaction the corporation becomes more closely linked to the

goals of welfare economics, which is focused on ensuring a certain minimal lifestyle for all members of society by including the corporation into its redistribution mechanisms for the incidence area and by reinforcing the cohesion between them, with beneficial effects on sustainable development. Data have proved that profitability is insufficient for long-term development, as the strategies should ensure:

- an internal environment favourable to maintaining the competitive level and corporate development, achieved by improving work conditions and the quality of life;
- a favourable external environment by getting the corporation involved in actions meant to improve the welfare of the reference communities, by developing a local and regional partnership system in order to create a stimulating business environment rooted in the congruence of common goals, and by increasing the holonic competitiveness as an essential quality requirement for a sustainable development of the various components;
- other accumulations whose impact has helped corporations commit to social responsibility as a factor of sustainable competitiveness: marketing studies (especially those on consumer behaviour), a wide range of associative movements, the extension of areas covered by the law and the development of supervision organisations committed to environmental preservation, consumer protection and community prosperity.

The multiple facets and manifestations of corporate social responsibility have led to a variety of definitions, some of which are mentioned in an article of the Institute for Public Relations:

- “a commitment to improve community well-being through discretionary business practices and contributions of corporate resources” (Kotler and Lee - 2005);
- “the process through which managers in an organization think and discuss their relations with the stakeholders, as well as their roles regarding the common good” (Basu and Palazzo - 2008);
- “the continuous commitment by businesses to behaving ethically and contributing to economic development while improving the quality of life of the workforce as well as of the community” (Watts and Holme, 1999 quoted in Sims, 2003);
- “corporate social responsibility includes behaviours and actions that go beyond the simple creation of profit and which are meant to improve the social condition of individuals within that society” (Mahon and McGowan - 1991);
- “Bourdieu's concept of social capital (1986) offers a constructive approach to the elements of power in the relationship between an organisation and the co-interested groups that its success or failure depend on. Whether instrumental, symbolic or purely rational, the quality of each relationship is based on an entity's desire for another entity to continue operating in the same way”. (Ihlen - 2005);
- “doing well by doing good”. Practically, organisations which embrace social responsibility practices become preferred employers, distinctive neighbours in the community and distinctive sellers. The true challenge for organisations is to acknowledge the responsibilities beyond their strictly financial obligations (Rawlins - Introduction to Corporate Social Responsibility from the Encyclopedia of Public Relations - 2005).

Appreciating the importance of corporate social responsibility, the United Nations, the European Union and the Organisation for Economic Co-operation and Development have become involved in defining it as “a conception referring to the contribution which companies are indebted to bring to the development of the modern society”, in preparing assessment standards for the “desirable corporate behaviour” and in creating a system of indicators that might enable a transparent evaluation of this responsibility. In order to achieve a sustainable development, several United Nations agencies, companies, trade union organisations, business organisations, academic organisations, civil society organisations and various institutions have initiated a partnership within the Global Compact program. As part of their endeavour to coordinate corporate activity in consensus with sustainable development and committed social responsibility, the international bodies have prepared several sets of guiding principles for their activity. They are structured according to the following essential themes (table no. 1):

**Table no. 1: Key themes and principles in organizing the activities**

|                         | <b>UNO</b>   | <b>EUROPEAN UNION</b>   | <b>OECD</b>   |
|-------------------------|--|---|---|
| <b>HUMAN RIGHTS</b>     | supporting and respecting human rights; ensuring they are not accomplices to the infringement of human rights;   | observing the human rights stipulated in the 1948 Universal Declaration of Human Rights;  | respecting human rights in all the activities they perform;   |
| <b>LABOUR STANDARDS</b> | supporting the right to free association; contributing to eliminating all forms of forced labour; contributing to eradicating the phenomenon of child labour; contributing to eliminating discrimination in job placement and the performance of one's profession; | ensuring the improvement of the employees' quality of life, both in and out of the workplace; ensuring a safe and healthy working environment; taking a responsible approach to restructuring in times of crisis and taking into account the interests of all the parties involved; | supporting and applying fair principles and practices in company management; promoting the company values among the employees by means of training programs; not discriminating and not sanctioning those individuals or institutions that warn the management team about unfair company practices; |
| <b>ENVIRONMENT</b>      | taking an anticipatory approach of environmental issues; promoting environmental responsibility; encouraging the development and spreading of technologies that do not degrade the environment   | minimizing the impact of their activities on the environment and natural resources;<br><br>protecting and encouraging environment protection at global level;   | contributing to the economic, social and environmental development by supporting the principle of sustainable development;  |

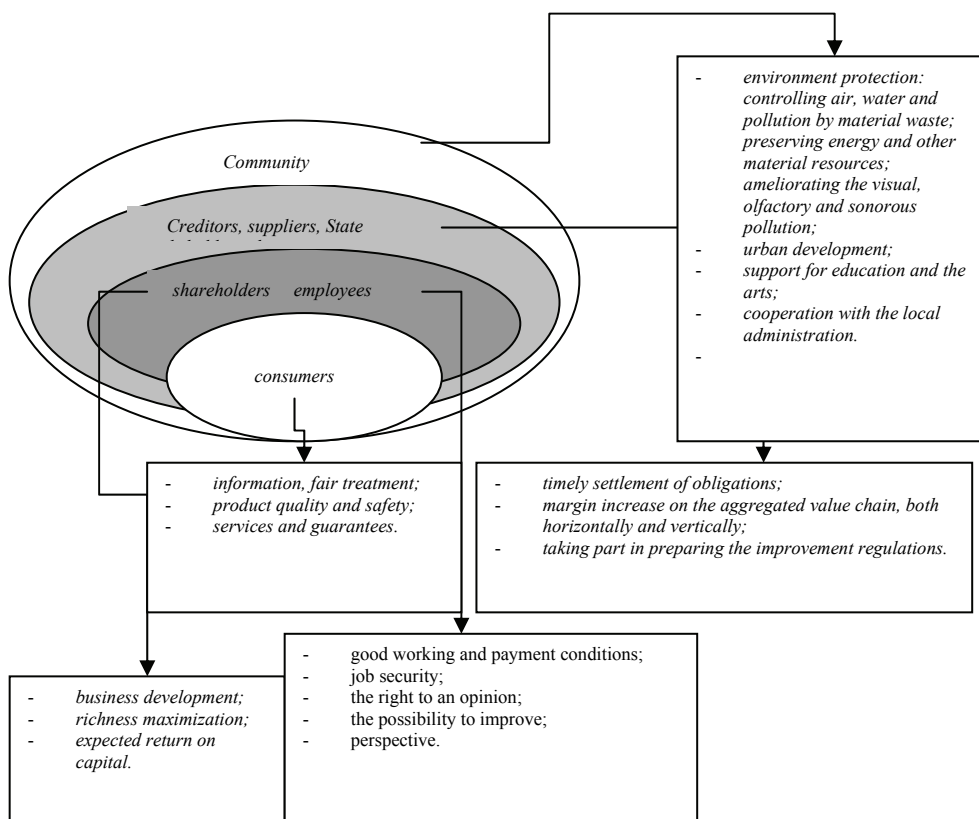
|                            |  |   |  |
|----------------------------|--|---|--|
| <b>FIGHTING CORRUPTION</b> | combating any form of corruption, including bribery and blackmail. |   | never accepting exemptions that are not included in the local legislative framework on the environment, health, safety, labour and taxation; not getting involved in local political activities without a justified reason;                            |
| <b>COMMUNITY INTERESTS</b> |  | supporting the development of the communities in which they perform their activity; supporting the development of local economic systems by making partnerships with the indigenous distributors. | encouraging the development of local communities; developing and applying efficient management systems in order to build a trustful relationship with the societies they operate in; encouraging their business partners to apply the OECD Guidelines. |

As a sociological concept, social responsibility is defined as acceptance and/or correction of the (moral, social, legal, financial etc) consequences of the actions conceived and performed by an individual or a group, in this case by corporations. In modern societies, which are characterized by organic social differentiation and solidarity, the accent falls on cooperation - which supposes autonomy of the parts and a moral of respect as basis for subjective (intentional) responsibility (Zamfir and Vlăsceanu, 1993, p.512).

Viewed from the social role attributed to the corporation, social responsibility is assessed as a behavioural model associated to a certain social position or socio-economic status. At corporate level, we may assert that the socio-economic status depends on size, on the level of resources attracted (the human resource playing a primary role in intra-community assessments), on the generated outcome and the yield of that outcome, on the market position, on the degree of globalization and the desire to globalize, on the power of intervention in elaborating policies and regulations for its scope of activity - and for other aspects as well - on local, national and global level, on the social prestige it enjoys and, last but not least, on the corporation's power to change its status. Socio-economic status is characterised by normative prescriptions and by effective behaviours that can be more or less in harmony with each other. The greater the corporation's size, market position, power to persuade, power to lay pressure and area of incidence, the larger and more heterogeneous the reference society will be, the larger and more diverse its expectations, the more frequent and harmful the implications of any infringement.

We may therefore conclude (in this approach that does not intend to make a detailed sociological analysis, but only to propose an adequate frame for evaluation) that the social role is represented by a set of behaviours that society legitimately expects from any corporation to embrace in accordance to its socio-economic status, and that corporate social responsibility circumscribes the whole set of its obligations to the stakeholders (as defined above) within a certain reference system. (Figure no. 1)





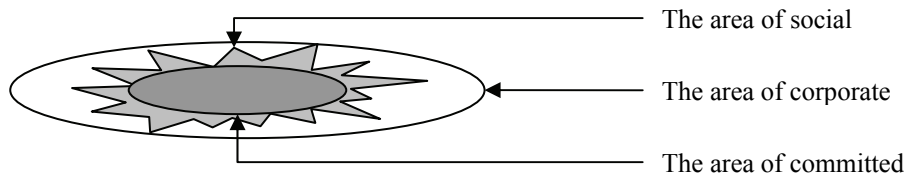
**Figure no. 1: The system of stakeholders and their expectations**

Social responsibility has a strong intentional (subjective) nature, generated by the parties' relative autonomy; the discretionary component of benevolence has a significant weight in this respect.

Although in its current acceptance social responsibility includes voluntary commitments other than those arising from contracts or imposed by law, we believe that the latter also include a major subjective component, at least in the way they are achieved. The elaboration of ever more harsh and restrictive norms in the fields of environment, consumer protection and treatment of the employees is itself a consequence of the corporations failure to subjectively undertake these responsibilities by eluding or treating them superficially. (Figure no. 2)

The impact area above includes all the individuals, groups or organizations affected by the corporation's activity. The area of concrete committed obligations whose infringement is punishable is usually excluded from the area of social responsibility; however, we must notice that social responsibility can manifest itself in this space at least in the shape of business ethics. As for contractual obligations, share capital holders are normally differentiated from the other stakeholders - creditors, suppliers, employees and distributors - towards whom the corporation has certain obligations as stipulated in a well-defined framework. We cannot speak of social responsibility solely in the context of those groups

towards which the company has no formal obligations, since the failure to perform its contractual obligations leads to widespread social repercussions that have a multiplying effect and that affect large social groups - the corporation's own employees and those of its contractual partners, their families, the beneficiaries of the whole link chain etc.



**Figure no. 2: The area of corporate impact and that of social responsibility**

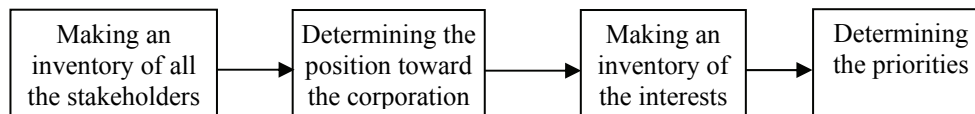
Ideally, we might consider that stakeholders form a group that is characterised by a certain syntality, which generates synergies capable of maintaining its cohesion and contribute to the achievement of its goals. However, in reality this group is made up of members that have different, even divergent expectations, who may get involved in conflicts of interests within the group or among different groups. The only coherence of the suppliers' group is the expectation to receive payment for their deliveries, each member of the group wishing to recover the amounts due in the shortest time possible. Clients may want to have their requests granted as quickly as possible and to postpone the payment deadline, some of them to the detriment of the others. The plurality of groups that make up society, including intra-corporate groups, has lead to a plurality of expectations whose legitimacy embraces various degrees of validity. In fact, each group may attribute a certain social role to a corporation according to its own interests.

The lack of congruence among the stakeholders' expectations generates a difficult situation and requires a different synectic approach for every alternative chosen by the corporation.

Nevertheless, there is consensus regarding the congruence of legitimate expectations from the corporation:

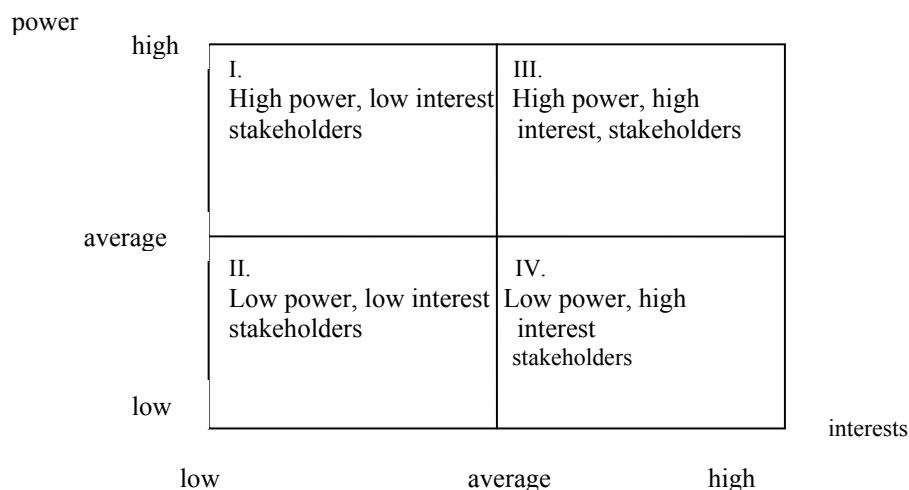
- a space of full congruence regarding the group's expectations from the corporation, namely about:
  - creation of the product or service portfolio;
  - economic growth;
  - creation of jobs;
- a space of congruence for most of the expectations, which is also related to the standards prepared by international bodies and which includes:
  - respect for the fundamental human rights;
  - environment protection;
  - respect for the labour standards;
  - fair treatment for the consumers;
- a space of partial congruence and of divergences, such as:
  - community interests;
  - the fight against corruption;
- a space of manifest divergences, for instance the dividend policy.

The incongruence of the stakeholders' interests and the impossibility to satisfy them all requires a rigorous analysis thereof in order to determine the priorities. This analysis has the following stages (figure no. 3):



**Figure no. 3: Stages in the analysis of priorities**

We may use the strategic analysis matrix in order to determine interest satisfaction priorities (figure no. 4):



**Figure no. 4: Using matrix strategic analysis in setting priorities to meet the interests**

Post-modern approaches see the corporation as an open system in which relationships are treated from the outside inward, meaning that policies adapt in order to harmonize incongruences and optimize stakeholder satisfaction. To this purpose, corporate governance - a network of rules and policies that the management uses to ensure responsibility, fairness and transparency in its relations with the stakeholders - includes explicit and implicit contracts providing for the stakeholders' responsibilities, rights and rewards, dispute settlement procedures according to their obligations, privileges and roles, as well as for supervision and control procedures. Thus, corporate governance acquires the role of harmonising the corporation goals and actions with those of its reference environment, as a requirement for its sustainable development.

Since the economic system is included in the social system, we may conclude that the system of corporate social performances includes the economic performance as well, as a prime obligation usually toward the investors in the third quadrant.

Consequently, the level and sustainability of the social performance is determined by the economic performance. In the absence of the economic performance, corporations would

not be able to commit to social responsibility, which determines a decrease in profitability at the first stage (figure no. 5), thus affecting their competitive position.

The figure below shows how, while leading to a certain decrease of the economic performance and possibly of the short-term competitive advantage, social responsibility ensures the companies' sustainability on the long term.

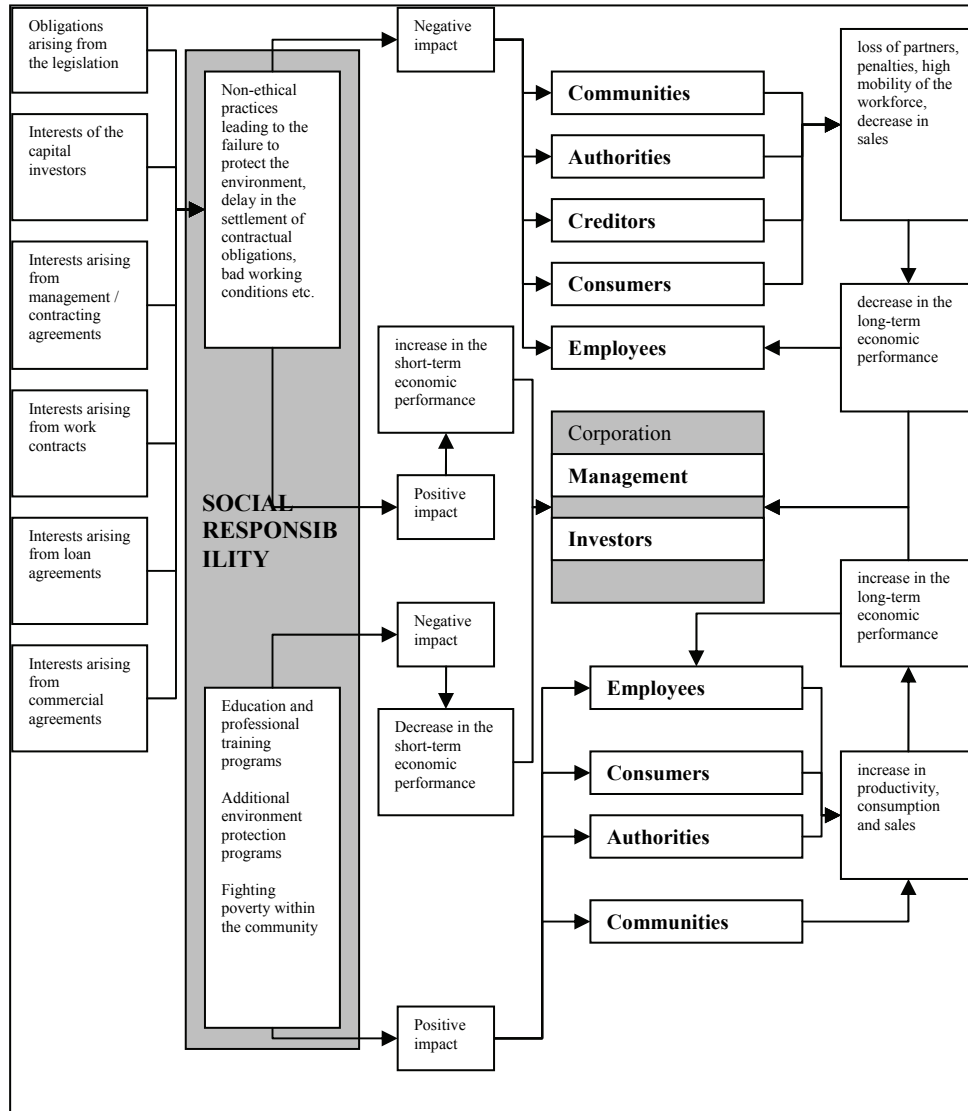
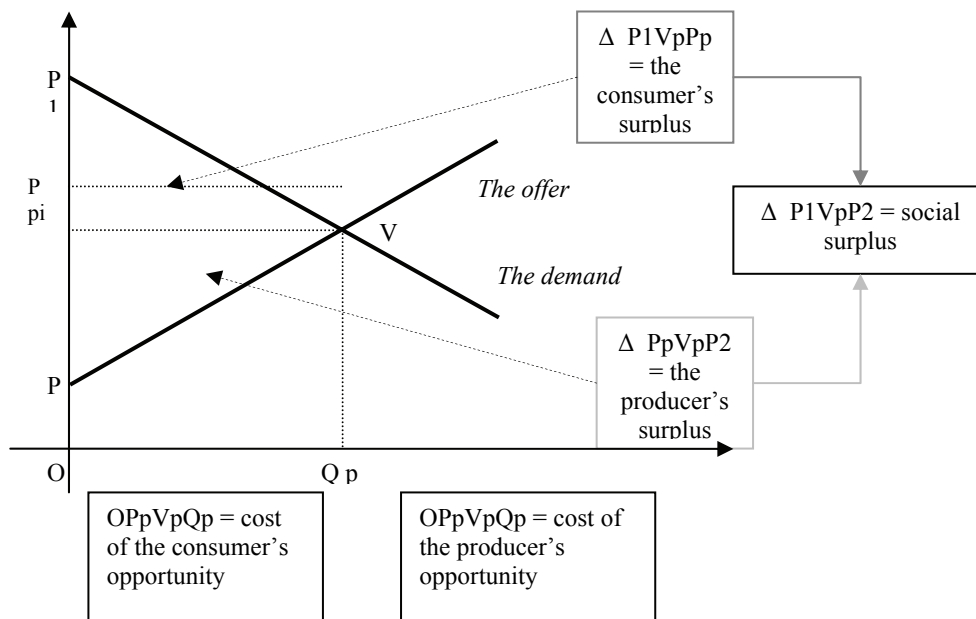


Figure no.5: Influence of the commitment to social responsibility on the economic performance

By considering the surplus generated by consumer  $P_1V_pP_p$  (figure no. 6) and the surplus generated by producer  $P_pV_pP_2$ , which together form the social surplus  $P_1V_pP_2$ , we may distinguish among various types of actions:

- actions that lead to additional costs (i.e.: charities such as the soup kitchen) and reduce the producer's surplus;
- actions that are recovered through pricing and that reduce the consumer's surplus (i.e.: paid biodegradable packaging);
- actions that affect both the consumer's and the producer's surplus; in this case, the induced costs cannot be entirely recovered through pricing (i.e.: professional training of groups that include members of the reference community apart from the company's own employees).



**Figure no. 6: The social surplus**

The use of funds for supporting activities related to charity, environment protection or rehabilitation, patronage etc. accompanied by a reduction of the profit has negative implications on the social surplus and therefore on the amount that the producer, consumer or both might use for development purposes or for other goals perceived to be more effective, including at society level, because such alternatives would add more value. For this reason, the manner in which corporations choose to commit to social responsibility is very important. If the social surplus can be used for other economic goals that society needs and that can generate higher performances, we may confidently state that future flows will be able to ensure greater satisfactions for all the stakeholders, otherwise the surplus would be wasted. Companies need to consider these aspects when including the amounts they use for social purposes into their opportunity costs.

The reason for adopting an alternative is based on the strategic analysis used to establish the priorities - as detailed above - and on the assessment of social efficiency expressed as the relation between effectiveness (which measures the satisfaction degree of a certain need) and costs. If the company misses the opportunity to use the available economic funds for achieving a highly profitable financial goal because the insufficiency of such funds has led to delays, then postponing the planned benevolent actions is interpreted as postponing a smaller present satisfaction in favour of a greater one in the future.

Companies famous for large patronage actions and involvement in significant humanitarian programs are usually strong companies that enjoy high economic performances, have reached maturity and foresee a slower rhythm of development in the future.

It is only the dividend money - destined exclusively to the consumption of certain company members - that can be truly considered to take part in the general welfare when used to the advantage of the community. The amounts of money included in the organization costs work against the investors and the other participants (managers and sometimes even the employees) when the profit is shared. Authorities are at a disadvantage only insofar as such costs are deductible. The companies' participation in funding social actions may be interpreted either as a consequence of insufficient funds in the state/local budget as compared to the community members' needs and expectations, as a consequence of the improper distribution of such funds or as the authorities' failure to manage those resources. The problem of taxation, which should cover the legitimate social needs without discouraging less profitable but absolutely necessary activities, the large discrepancies between the profitability of different economic sectors and the scale of different businesses, the policy of encouraging certain areas, the government investments, the dynamics of the companies, the impossibility to hire people or the reconversion of the entire available workforce, as well as many other factors may justify to a certain extent the need for social involvement by the companies. We may consider that a company's social involvement is better applied and more focused on the community than the involvement of the authorities, who must distribute the income to a multitude of goals without ever covering all of them.

In the sense of globalisation, we may notice a development of social responsibility in that strong companies get involved in solving humanitarian problems for beneficiaries than cannot be included among the stakeholders - such as aids for the population of the world's poorest countries, disaster relief etc.

The international bodies' standards - meant to guide companies in committing to social responsibility - cover domains that are largely supported by laws or compulsory norms which companies are bound to observe to legislative level. Everything companies do in the area of environment or consumer protection - for instance the introduction of environment-friendly technologies, ecological foods or packaging - may turn into a competitive advantage because sooner or later they will become compulsory. Adopting solutions that might decrease the consumption of energy or other raw materials per unit produced is an action that follows the aforementioned standards and that, at the same time, reduces costs and ensures a higher competitive advantage. Scholarly literature abounds in demonstrations of the positive effect that good working conditions have on productivity and on the employees' involvement in improving the production processes (Japan's example of increasing the quality of its products), which ensures a competitive advantage. We may assert that, by developing local partnerships with small local producers and even by externalising certain operations in order to make better use of the workforce in the area, companies will help

amplify the economic activity of the reference communities and create beneficial synergies by interacting with the respective firms. The social responsibility at corporation level can be consolidated also by implementing of whistle blowing policies. Speaking about the Romanian society we can appreciate that "it will evolve no matter if whistle blowing will be integrated or not in the local economic culture but it has to be admitted that the new tendencies are already present in our country" (Bunget, O., 2009, p. 49).

We may assess the effect of corporate social responsibility on the competitive advantage by using various models of strategic analysis. We propose the following models:

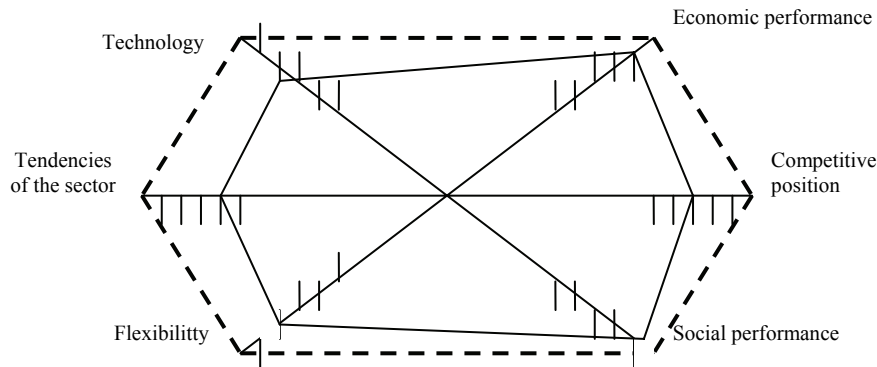
1. The sustainable competitive advantage evaluation grid is based on four relevant quality variables that receive importance coefficients and that we can evaluate based on specific criteria. The criteria are marked on a scale of 1-5; they receive a partial grade at variable level and a total number of points on which the global diagnosis is based. (Table no. 2)

**Table no. 2: Rating scale sustainable competitiveness**

| Variable   | Importance coefficient | Criterion                                      | Weight of the criterion | Grades |
|--|------------------------|--|-------------------------|--------|
| Performance on the market                                    | 0.20                   | Market size                                    | 1/5                     |        |
|  |                        | Market structure                               |                         |        |
|  |                        | Placement within the market tendencies         |                         |        |
|  |                        | Competitive position                           |                         |        |
|  |                        | Competitive advantages                         |                         |        |
|  |                        | Weighted arithmetic mean - variable            |                         |        |
| Performance in research and development                      | 0.3                    | Rhythm of innovations in the sector            | 1/4                     |        |
|  |                        | Potential for product innovation               |                         |        |
|  |                        | Potential for technology innovation            |                         |        |
|  |                        | Level of expenses for research and development |                         |        |
|  |                        | Weighted arithmetic mean - variable            |                         |        |
| Economic and financial performance                           | 0.3                    | Sector profitability                           | 1/5                     |        |
|  |                        | Access to resources                            |                         |        |
|  |                        | Efficiency of the production                   |                         |        |
|  |                        | Financial structure                            |                         |        |
|  |                        | Liquidity                                      |                         |        |
|  |                        | Weighted arithmetic mean - variable            |                         |        |
| Social performance   | 0.20                   | Labour standards and quality of life           | 1/5                     |        |
|  |                        | Environment-friendly technologies              |                         |        |
|  |                        | Improvement of stakeholder satisfaction        |                         |        |
|  |                        | Community interests                            |                         |        |
|  |                        | Partnerships                                   |                         |        |
|  |                        | Weighted arithmetic mean - variable            |                         |        |
| Weighted arithmetic mean - sustainable competitive advantage |                        |  |                         |        |

2. The multi-criteria model for evaluating the sustainable competitive advantage is based on six criteria whose values range from 1 to 5. The hexagon determined by the maximum values represents the highest competitive potential against which we may assess the

situation of all the individual corporations in accordance with their performances. (Figure no. 7)



**Figure no. 7: Multi-model assessment of sustainable competitiveness**

We believe it is possible to approach the efficiency of social responsibility by determining the derivatives of long-term economic performance (Ep) modifications and the derivatives of sustainable competitive advantage (SCA) modifications depending on the modification of the social effort (Se):

- additional increase of the long-term economic performance due to the additional increase of social efforts:

$$\frac{dEp}{dSe} = \frac{Ep_1 - Ep_0}{Se_1 - Se_0} \quad (1)$$

- additional increase of the sustainable competitive advantage due to the additional increase of social efforts:

$$\frac{dSCA}{dSe} = \frac{SCA_1 - SCA_0}{Se_1 - Se_0} \quad (2)$$

Companies may take certain actions according to the particulars of each different situation (Demetrescu, 1983, p.153) (table no. 3):

**Table no. 3: Elasticity of economic performance according to social work – measures**

| Elasticity of the economic performance depending on the social efforts | Elasticity of the competitive advantage depending on the social efforts |  |
|--|---|--|
|  | Improper fraction   | Proper fraction                              |
| Positive improper fraction   | increase the efforts  | orient the efforts to high incidence vectors |
| Positive proper fraction   | maintain the efforts  | reduce the efforts                           |
| Negative   | reorient the efforts  | reanalyse priorities                         |

We have to mention that this approach is only viable if we apply the reasoning to cases where we can obtain credible quantifications.



### **Conclusions**

Social responsibility is a relatively new concept, designed as part of the dynamic process meant to harmonize the stakeholders' incongruent interests with the corporation's interests for the purpose of the common good.

At the same time, social responsibility is a wide concept that circumscribes the economic responsibility (the basis supporting the other types of responsibility and the construction of social responsibility as a whole), the legal responsibility, the ethical responsibility and the philanthropic responsibility.

No crystallized methodology exists that might help us precisely assess the effect of social responsibility on the corporate activity, given the nature of the random variables involved in this process, the complexity and non-linearity of relationships that might appear.

The studies in this field have revealed, on the one hand, that consumers display a complex reaction (not necessarily a favourable one – i.e. followed by a concrete reaction), and on the other hand that corporate social responsibility helps rise the companies' prestige and fame, which implicitly leads to an increase in the sales, protection in times of crisis and therefore a greater competitive advantage. Even if certain actions may affect economic performance on the short term, they will eventually lead to an increase in the corporations' long-term competitive capacity due to their beneficial effects at society level and to the creation of a favorable external environment.

Internally, ensuring proper working standards, a favorable climate and a better quality of life determines a favorable answer that takes the form of greater productivity, better product quality and reduction of the hidden costs, all of which influence the competitive advantage of corporations.

As a space meant to harmonise the stakeholders' incongruent interests, social responsibility offers a more efficient support for management decisions and helps reducing risks. Social responsibility must be approached from the point of view of these interests, in accordance to the power of the key stakeholders; it requires us to find solutions for satisfying the majority and to build balanced constructions for the future, in a progression that might ensure cohesion, efficiency and exclusion of the costs generated by the legitimate corrective reactions of the negatively affected stakeholders.

We may state that social responsibility is the corporations' response to the requirements of the environment, in the sense that the companies' own actions and goals should be linked to the common interests and major tendencies of the reference environment. It also gives a competitive advantage to the corporations themselves, helping them ensure a sustainable development.

The authors believe that in the designed structural and instrumental environment, the assumption of social responsibility of economic entities and institutions in developing regions can be evaluated, as a boosting factor of the sustainable competitiveness.

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