

**SOME INTERCULTURAL CONSIDERATIONS ON CORPORATE
SOCIAL RESPONSIBILITY – CASE STUDY: ROMANIA AND
HOFSTEDE'S CULTURAL DIMENSIONS**

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Abstract

Globalization is creating the need for new ways of understanding, managing and coping with culture differences. Corporations should take into account these differences when fundamenting their international strategies, even in regard to their business ethic and social responsibility goals. In this article we try to indicate some of the implications that intercultural factors can have on the companies actions regarding CSR.

Keywords: *corporate social responsibility, cultural dimensions, business ethics*

JEL classification: *M14*

1. Introduction

After the World War II a new era of business began. In the 1950's the power and size of corporations start to grow. We can observe a liberalisation of international trade, which can provide new opportunities for conquering new markets and economies of scale.

During the '60's and 70's some pressing social and environmental problems began to appear. The UN Conference in Stockholm and the World

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economic Forum are just some common action that was being taken, in order to manage this problems. Deregulations, end of welfare state and an even more present globalisation phenomena constitute the grounds for crises and uncertainties. In the 1990s: change of classical model of property rights and the explosion of tehnology innovations.

Globalisation is the new phenomena which affects all of our lifes. Through this we are exposed to different goods and servicies, to foreign capital and financial flows and to different ways of understanding things; in other words, we are facing, almost every day, people from different cultures, with a different mindset, with different values and norms, with different understanding of good and evil, of desirable and tabu behavior.

2. Sections

The concept of CSR has been used for over 60 years, but private firms would engage in philanthropic actions for centuries. Just think about the Fuggers, Andrew Carnegie, Cornelius Vanderbilt, John D. Rockefeller and many more. Yet, the concept of CSR has been interpreted in lots of ways by the scientific community, getting further away from philanthropy. More yet, some considered that “few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible” (Carroll, 1999).

Formal writings on the topic started in the 1950’s, in the U.S. One of the first to theorize this topic, the „father of CSR” (Carroll, 1999), Howard R. Bowen, considered „it refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those line of action, which are desirable in terms of the objectives and values of our society” (Carroll, 1999). Of course, different societies have different objectives and value, corresponding with what we call “ours”.

Some years later, Keith Davis stated in an article that CSR refers to „businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest”. He also established the “Iron Law of Responsibility”, which states that “social responsibilities of businessmen need to be commensurate with their social power” (Carroll, 1999).

Another contributor to the definition of CSR stated that “social responsibility in the final analysis implies a public posture toward society’s

economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms” (Frederick, 1960).

Some years later, Davis elaborated another approach of CSR: “the substance of social responsibility arises from concern for the ethical consequences of one’s acts as they might affect the interests of others” (Carroll, 1999).

The Committee for Economic Development stated that “ business functions by public consent and its basic purpose is to serve constructively the needs of society – to the satisfaction of society...Inasmuch as business exists to serve society, its future will depend on the quality of management’s response to the changing expectations of the public” (Carroll,1979). This changed the understanding of CSR to a societal approach.

The “three concentric circles” definition of social responsibility has its point of departure in a public-opinion survey. The inner circle included the basic responsibilities such as products, jobs and economic growth. The intermediate circle included the more sensitive responsibilities such as environment concerns, hiring, relations to employees and the basic expectations from the consumers, for example fair treatment. The outer circle included responsibilities concerned with more broad involvement in improving the social environment, for example poverty and urban blight (Carroll, 1999: 277). This position is supported by Kotler and Lee (Susan Vangedal, 2010) who wrote: “We all want a better world and are convinced that communities need corporate support and partnerships to help make that happen.”

Similar, Backman (1975) considered that “social responsibility usually refers to the objectives or motives that should be given weight by business in addition to those dealing with economic performance”. S. Prakash Sethi (1975) determines three different dimensions of corporate performance: “*social obligation* – corporate behaviour in response to market forces or legal constraints”, “*social responsibility* – bringing corporate behaviour up to a level where it is congruent with the prevailing social norms, values and expectations of performance” and “*social responsiveness* – adaptation of corporate behaviour to the social needs (Carroll, 1999).

The final change in approach came in the 1980s when CSR began to be approached from a stakeholder perspective. Of course, the fundamental assumption should be that “the business institution is the basic economic unit

in our society. As such it has a responsibility to produce goods and services that society wants and to sell them at a profit” (Carroll, 1979). In other words a responsible business “encompasses the economic, legal ethical and discretionary expectations” (later “voluntary or philanthropic”, 1983) of society.

Thomas M. Jones stated that CSR “is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract” (Carroll, 1999) and furthermore, that CSR is actually a process, a constantly work in progress.

In 1991 Carroll stated: “There is a natural fit between the idea of corporate social responsibility and an organisation’s stakeholders [...] The concept of stakeholder personalises social or societal responsibilities by delineating the specific groups or persons business should consider in its CSR orientation” (Kakabadse et al., 2005). In other words, a company’s commitment to CSR is today closely connected to the company’s core business and its stakeholders. (Susan Vangedal, 2010)

Phillip Kotler and Nancy Lee (Kotler & Lee, 2008) come with another classification of CSR understanding the “traditional approach” and the “new approach”. This division is based on the argument that companies’ perception of CSR has developed from being seen as fulfilling an obligation to be seen as a strategic tool. (Susan Vangedal, 2010).

Peter Drucker emphasized the relation between profitability and responsibility, considering even that “proper “social responsibility” of business is to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth” (Susan Vangedal, 2010).

The concept of CSR was closely related, sometimes used interchangeably with other concepts like:

- a) Corporate social Responsiveness;
- b) Corporate citizenship - if individuals have morals, why shouldn’t organizations have. Joseph McGuire (1963) considered “the idea of social responsibilities supposes that the corporation has not only economic and legal obligation but also responsibilities to society which extend beyond these obligations”, so “business must act “justly” as a proper citizen should” (Carroll, 1999);
- c) Triple bottom line-audit. CSR should be more than what people say; more than attitude, beliefs-should be measurable. 3 P: People, Planet,

Profits (measuring that). Companies must satisfy their investors and generate profit, so for companies to engage in CSR it must contribute to its bottom-line;

- d) Corporate Accountability;
- e) Business ethics – principles that governs the way how people treat each other in an organizations: stakeholders, customers Corporate social performance;
- f) Sustainability – mostly ecologic;
- g) corporate strategy;

3. Sections

Even if working life and business are more and more global, the cultural background affects the behavior, relationship to others and to the environment, and our feelings of good and bad. There are different considerations regarding the significant factors that may help us classify cultures. Some of these dimensions have been put together in so-called cultural models. Edward Hall, one of the first scholars of intercultural aspects, considered that the most important are: monochronic and polychronic time orientation, high and low context communication and consideration regarding space: personal/physical.

Trompenaar's model analyzed national cultures from three perspectives: relationships with other people, relationship to the environment and the meaning of time.

Hofstede's model first included four dimensions of culture: power distance, uncertainty avoidance, individualism-collectivism, masculinity-femininity; later broadened this classification and added the fifth dimension - long-term orientation vs. short-term orientation (Hofstede, 2010) and now added the sixth dimension regarding happiness. Hofstede defines culture as being the “collective programming of the mind” which differentiate people from different groups. The model provides scales from 0 to 100 for 76 countries for each dimension, and each country has a position on each scale or index, relative to other countries (De Mooij & Hofstede 2002; De Mooij 2010).

The first cultural dimension he came up with was power distance, during the late 60s, when there were student revolts in the streets of Western Europe. They were condemning the situation in which hierarchies in institutions and organizations were being established. The attribution of power

to particular individuals is widely accepted in other cultures. Romania scores high on this dimension (score of 90) which means that people accept a hierarchical order in which everybody has a place and which needs no further justification (Hofstede.com).

Hofstede observed there were other aspects of cultural differences that were not explained by power distance, so he introduced a new dimension: uncertainty avoidance or the extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these. Romania scores 90 on this dimension and thus has a very high preference for avoiding uncertainty. Countries exhibiting high uncertainty avoidance maintain rigid codes of belief and behavior and are intolerant of unorthodox behavior and ideas. In these cultures there is an emotional need for rules (even if the rules never seem to work), people have an inner urge to be busy, innovation may be resisted, security is an important element in individual motivation.

Another dimension Hofstede introduced was the degree of interdependence a society maintains among its members. It has to do with whether people's self-image is defined in terms of "I" or "We". Romania, with a score of 30 is considered a collectivistic society. This is manifest in a close long-term commitment to the member 'group', be that a family, extended family, or extended relationships. Loyalty in a collectivist culture is paramount, and over-rides most other societal rules and regulations. In collectivist societies offence leads to shame and loss of face, employer/employee relationships are perceived in moral terms (like a family link), hiring and promotion decisions take account of the employee's in-group, management is the management of groups.

Another dimension is Masculinity / Femininity. The fundamental issue here is what motivates people, wanting to be the best (masculine) or liking what you do (feminine).

A high score (masculine) on this dimension indicates that the society will be driven by competition, achievement and success, with success being defined by the winner / best in field – a value system that starts in school and continues throughout organizational behavior. A low score (feminine) on the dimension means that the dominant values in society are caring for others and quality of life. A feminine society is one where quality of life is the sign of success and standing out from the crowd is not admirable.

Romania scores 42 on this dimension and is thus considered a relatively feminine society. In feminine countries the focus is on “working in order to live”, managers strive for consensus, people value equality, solidarity and quality in their working lives. The long term orientation dimension is closely related to the teachings of Confucius and can be interpreted as dealing with society’s search for virtue, the extent to which a society shows a pragmatic future-oriented perspective rather than a conventional historical short-term point of view. While for Romania we don t have a result on this dimension, we may assume that the relatively new shift to capitalistic virtue isn't yet the norm for most Romanians (<http://geert-hofstede.com/romania.html>).

There are two main approaches in the field of moral philosophy: the deontological and the teleological theories. The first is “concerned with the inherent righteousness of a behavior or action, whereas teleological theories are concerned with the amount of good or bad embodied in the consequences of the behaviour or action” (Vitell et al., 1993).

The general theory of marketing ethics developed by Vitell and Hunt acknowledged the fact that “cultural norms affect perceived ethical situations, perceived alternatives, perceived consequences, deontological norms, probabilities of consequences, desirability of consequences and important of stakeholders” (Hunt, Vitell, 1986), but only later included how this happened.

So, lets see what would the propositions for the Romanian culture sound like, considering the founding regarding Hofstede's cultural dimension. As we mentioned above, Romania is considered to have a large *Power distance*. Hierarchy in an organization is seen as reflecting inherent inequalities, centralization is popular, subordinates expect to be told what to do and the ideal boss is expected to act autocratically without consulting subordinates. This should indicate “that a greater importance is given to both the (ethical) cues of superiors and more formal norms” (Vitell et al., 1993). In this case, we may assume that the acceptance of CSR depends, on a large scale, on the personal attitude of the superior on this subject, and that subordinates will “do as told”.

The dimension *Uncertainty Avoidance* has to do with the way that a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? This ambiguity brings with it anxiety and different cultures have learnt to deal with this anxiety in different ways. Romania scores high on this dimension as well. This may determine that

“business practitioners are more likely to be intolerant of any deviations from group/organizational norms” (Vitell et al, 1993). Or, in other words, “business practitioners in countries that are high in uncertainty avoidance will be more likely to consider formal professional, industry and organizational codes of ethics when forming their own deontological norms, than business practitioners in countries that are low in uncertainty avoidance (Vitell et al.). Still, there might be a particularity for Romania regarding this aspect: there are situations in which superiors, even if their questionable actions had negative consequences are still kept in place, just because there are no better ones, and, at least “we know this one”. On the other hand, volunteering and other unpaid activities for the public good is hard to implement, maybe as a consequence of formally imposed “voluntary activities” during the communism.

Regarding the dimension individualism-collectivism, Romania is considered a collectivistic society. In Individualist societies people are supposed to look after themselves and their direct family only. In collectivist societies people belong to ‘in groups’ that take care of them in exchange for loyalty. This could mean that in collectivist societies, business practitioners tend to be more preoccupied with the owner, stockholder, as well as with other employees and stakeholders. This means that ethical behaviour in this context implies not just economic performances, but also understanding of the specific needs of every individual. The “personal problem” is a widely recognized excuse Romanians used in order to get a free day. The society fosters strong relationships where everyone takes responsibility for fellow members of their group.

Masculinity-femininity dimension indicates what values that society propagates: does it encourage people to have competitive and to strive for material success, or does it define more overlapping social roles, where ambition and overachievement isn't the norm. Romania scores 42 on this dimension and is thus considered a relatively feminine society.

4. Conclusions

Twenty years ago it was commonly that just the shareholder and economic profits were of interest for the management. Nothing else mattered. Today, shareholders, customers, employees, government, communities matter. Of course, today there are legislations that contain more and more CSR and regulatory bodies, the media attention on companies ethical behavior is growing, there are activist group which act like watch dogs. On the other

hand, we speak today of SRI, indices for rating CSR performance (Dow Jones Sustainability Index, FTSE4Good Index), Global Reporting Initiative and growth in corporate reporting of CSR.

Globalization made the world flatter and intercultural approaches are needed in order to understand and behave accordingly. So, when talking about ethical behavior or CSR the understanding that one has, can vary a lot from one culture to another. In Romania, according to Hofstede's cultural dimension, we are talking about a rather collective, feminine society, with a high degree of uncertainty avoidance and a great power distance.

Strangely enough though, the concept of CSR isn't as well accepted and as often used by Romanian companies as one might think. It is rather a foreign, sometimes "exotic" approach, which was, at first, unthinkable for most managers. One explanation for this situation might be the view on the short run that is more persistent, than the long term approach. As such, the economic benefits one can obtain from CSR are often not taken into account. The future might teach them better...

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