Socially responsible small and medium enterprises (SMEs): a guide to integrating social responsibility into core business
-- The road to competitive and sustainable development --

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December 2011

WWW.ANEIR-CSR.RO
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December 2011

The content of this material does not necessarily represent the position of the European Union or that of the Romanian Government.

The content of this material does not necessarily represent the position of the United Nations Development Programme.

For more information on “Strengthening the capacity of Romanian companies to develop social partnerships - CSR” please visit: www.aneir-csr.ro.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreword</td>
<td>5</td>
</tr>
<tr>
<td>Definitions</td>
<td>7</td>
</tr>
<tr>
<td>Short guide</td>
<td>8</td>
</tr>
<tr>
<td><strong>1. Introduction</strong></td>
<td>10</td>
</tr>
<tr>
<td>1.1 Opening note</td>
<td>10</td>
</tr>
<tr>
<td>1.2 Components of this guidebook</td>
<td>10</td>
</tr>
<tr>
<td>1.3 Scope and use of this guidebook</td>
<td>10</td>
</tr>
<tr>
<td><strong>2. What is the Social Responsibility of an enterprise?</strong></td>
<td>12</td>
</tr>
<tr>
<td>2.1 Global trends in the evolution of corporate Social Responsibility (sr)</td>
<td>12</td>
</tr>
<tr>
<td>2.2 Defining Social Responsibility for Small and Medium Enterprises</td>
<td>14</td>
</tr>
<tr>
<td><strong>3. Social Responsibility in SMES: Ensuring competitiveness</strong></td>
<td>15</td>
</tr>
<tr>
<td>3.1 SR in SMES: Initiatives at european level</td>
<td>18</td>
</tr>
<tr>
<td>3.2 Social Responsibility in SMES: Current situation in Romania</td>
<td>18</td>
</tr>
<tr>
<td><strong>4. A strategy for responsible entrepreneurship</strong></td>
<td>20</td>
</tr>
<tr>
<td>4.1 Recognising an enterprise’s Social Responsibility (and where it can add business value): make your commitment!</td>
<td>20</td>
</tr>
<tr>
<td>4.2 Engaging with stakeholders to build shared value and minimise stakeholder and business risks</td>
<td>21</td>
</tr>
<tr>
<td>4.2.1 What is a stakeholder and what is stakeholder engagement?</td>
<td>21</td>
</tr>
<tr>
<td>4.2.2 Why engage your stakeholders?</td>
<td>22</td>
</tr>
<tr>
<td>4.2.3 The stakeholder engagement (se) process</td>
<td>23</td>
</tr>
<tr>
<td><strong>5. Core areas of Social Responsibility</strong></td>
<td>25</td>
</tr>
<tr>
<td><strong>6. Social Responsibility integration model</strong></td>
<td>42</td>
</tr>
<tr>
<td>6.1 Overview</td>
<td>42</td>
</tr>
<tr>
<td>6.2 Steps to integrate Social Responsibility into your core business</td>
<td>43</td>
</tr>
<tr>
<td>6.2.1 Step 1: Understand the strategic context, area of impact and relevance of your organisation’s Social Responsibility</td>
<td>46</td>
</tr>
<tr>
<td>6.2.2 Step 2: Clarify the strategic objectives of your organisation, integrating sr principles.</td>
<td>47</td>
</tr>
<tr>
<td>6.2.3 Step 3: Identify obstacles and opportunities to achieve your organisation’s strategic objectives.</td>
<td>47</td>
</tr>
<tr>
<td>6.2.4 Step 4: Integrate SR throughout the organisation (plans, procedures, systems, organisational culture, external initiatives, etc.) and its sphere of influence.</td>
<td>48</td>
</tr>
<tr>
<td><strong>7. Limitations and recommendations for future complementary initiatives</strong></td>
<td>51</td>
</tr>
<tr>
<td><strong>8. Primary references</strong></td>
<td>52</td>
</tr>
<tr>
<td><strong>9. Companies involved in the study and in creating the examples</strong></td>
<td>53</td>
</tr>
<tr>
<td>Annex 1: Good practice examples from european SMES</td>
<td>57</td>
</tr>
<tr>
<td>Annex 2: Romanian initiatives on Social Responsibility</td>
<td>59</td>
</tr>
<tr>
<td>Annex 3: SE model</td>
<td>61</td>
</tr>
<tr>
<td>Annex 4: The five capitals of sustainable development</td>
<td>62</td>
</tr>
<tr>
<td>Annex 5: Table of Social Responsibility indicators</td>
<td>64</td>
</tr>
</tbody>
</table>
There is a growing body of evidence that businesses that engage in socially responsible behaviour capture long-term benefits. Through social responsibility (SR), companies can develop a coherent and sustainable business strategy that benefits not only them, but also their stakeholders and society as a whole.

The aim of this guide is to catalyse the creation of more competitive and sustainable businesses in Romania, by enabling small and medium enterprises (SMEs) to work for profit – not only from a financial perspective, but from a holistic one, considering all five development capitals: economic, human, social, environmental, and manufactured, in a way that also improves their short, medium and long term financial success. The main strategy to achieve this is building awareness that socially responsible business can be profitable, by highlighting good practice in the area, and by providing a model to assist businesses in running their operations in a socially responsible manner. A summary of the guidebook can be consulted at pages 8-9.

From European research to date and our own experience, there is growing evidence to show that there are many opportunities for business to develop competitively and create value – not only for owners, but also for society. We should also keep in mind that the sustainability of business and society are linked, and one cannot thrive and succeed without the other, as demonstrated by the current financial crisis.
<table>
<thead>
<tr>
<th>LIST OF ABBREVIATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AIPPIMM</strong></td>
</tr>
<tr>
<td><strong>ANEIR</strong></td>
</tr>
<tr>
<td><strong>CSR</strong></td>
</tr>
<tr>
<td><strong>EU</strong></td>
</tr>
<tr>
<td><strong>GRI</strong></td>
</tr>
<tr>
<td><strong>ISO</strong></td>
</tr>
<tr>
<td><strong>KPI</strong></td>
</tr>
<tr>
<td><strong>MNE</strong></td>
</tr>
<tr>
<td><strong>NGO</strong></td>
</tr>
<tr>
<td><strong>OECD</strong></td>
</tr>
<tr>
<td><strong>Responsible entrepreneurship</strong></td>
</tr>
<tr>
<td><strong>SE</strong></td>
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<tr>
<td><strong>SME</strong></td>
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<tr>
<td><strong>SR</strong></td>
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<tr>
<td><strong>UN</strong></td>
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<td><strong>UNDP</strong></td>
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<td><strong>UNGC</strong></td>
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<tr>
<td><strong>UNIDO</strong></td>
</tr>
</tbody>
</table>
DEFINITIONS¹:

**Business Value (in the context of social responsibility)** is the value that results through recognising and assuming our *social responsibility*.

**Corporate Social Responsibility/Social Responsibility** refers to the responsibility of companies for their impact on society.

**Stakeholder**
An individual or group who has an interest in any of the activities or decisions of your organisation.

**Stakeholder engagement**
Any activity undertaken to create opportunities for dialogue between the company and its stakeholders, with the aim of providing an informed basis for the company’s decisions and the stakeholders’ reactions to them.

**Sustainable development**
“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” (UN World Commission on Environment and Development, 1987) This involves balancing and developing financial, natural, human, social and manufactured capitals when addressing economic, social and environmental factors (both internal external), their interdependence and the concerns of your stakeholders.

THE MODEL FOR INTEGRATION OF SOCIAL RESPONSIBILITY INTO THE CORE BUSINESS OF ROMANIAN SMEs

An enterprise, irrespective of its size, is socially responsible when it gives equal importance to the economic, social and environmental concerns within its core business. This is, in order to ensure its sustainability a business should satisfy its clients, generate profit to ensure financial health and respect the expectations of people that it affects or is affected by, such as its employees, suppliers, and the community in which it operates. It thus builds shared value and effectively manages the impact of its activities. Moreover, operating in a socially responsible manner (i.e. responsible entrepreneurship) can add direct benefits to the business and ensure long-term strategic competitiveness through proactive and innovative problem solving and the generation of a supportive team that maximises opportunities.

Reality shows that many SMEs already conduct themselves in a socially responsible way, so integrating social responsibility (SR) is not about redefining what they are already doing, but about maximising the impact of the existing practice by seeing its business benefits, by integrating it into the core business, and raising awareness among important internal and external stakeholders in a way that will help them become more competitive.

Model Overview: The integration model involves making SR an important dimension of existing organisational strategies, systems, practices and processes; and ensuring that it strengthens all of these.

Model Objective: To enable SMEs to integrate SR into their daily business practice.

The 4 key steps of the model are:

1. Understanding the strategic context, area of impact and relevance of your organisation’s social responsibility.
2. Clarifying the strategic objectives of your organisation, integrating SR principles.
3. Identifying obstacles and opportunities to achieving your organisation’s strategic objectives.
4. Integrating SR throughout the organisation (plans, procedures, systems, organisational culture, external initiatives, etc.) and its sphere of influence.

In every step of the process, dialogue with the main groups of stakeholders will lead your enterprise to sustainably define the action plan to be adopted.
## The Model of Social Responsibility Integration

<table>
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<th>Steps</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Understanding the strategic context, area of impact and relevance of your organisation’s social responsibility.</td>
<td><strong>Analyse the strategic context of your operations</strong> — where and if it could affect the social responsibility of your organisation. <strong>List the full range of your activities and operations</strong>, and consider where they may impinge on the social responsibility of your organisation (workplace, market, community, environment). <strong>Determine the relevance of core SR areas and issues</strong>. Establish concrete priorities (e.g. which are of immediate concern to stakeholders, which are in compliance with the law, etc.)</td>
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<tr>
<td>Clarifying the strategic objectives of your organisation, integrating SR principles.</td>
<td><strong>Formally set the direction</strong> — review the mission, vision, values, goals and strategy of your organisation, with SR in mind.</td>
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<tr>
<td>Identifying obstacles and opportunities to achieve your organisation’s strategic objectives.</td>
<td><strong>Identify the risks / obstacles</strong> that could prevent you from reaching your objectives. <strong>Identify the opportunities</strong> that could help you reach your objectives.</td>
</tr>
<tr>
<td>Integrating SR throughout the organisation (plans, procedures, systems, organisational culture, external initiatives, etc. etc.) and its sphere of influence.</td>
<td><strong>Raise awareness</strong> and, where necessary, build competency for SR throughout the organisation and its sphere of influence. <strong>Build SR into the organisation’s systems and procedures</strong> (e.g. performance indicators to include SR).</td>
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Source: astoneco management, 2009
1. INTRODUCTION

1.1 OPENING NOTE

This guidebook is the result of joint efforts by partners (ANEIR, AIPPIMM, and UNDP Romania) to offer guidance on integrating social responsibility (SR) principles and practice into the core business of Romanian small and medium enterprises (SMEs), with the ultimate scope of encouraging SMEs to see the business opportunities that can arise from engaging in social, environmental and financial issues. Today, businesses of all sizes have an important role in society, deeply connected to economic, but equally to social, human, technological, and environmental development. Provided it is responsibly undertaken, this role can ultimately enable increased business competitiveness and sustainable development.

This guidebook is mainly concerned with creating a model to implement SR into the core business of SMEs, and it is just the first part of a more complex set of guidance documentation that will be developed over the next year, to eventually reach a total of four guidebooks.

1.2 COMPONENTS OF THIS GUIDEBOOK

The content of this guidebook is organised in two parts: (1) a report on understanding social responsibility, which addresses issues such as the definition of social responsibility, global trends and the business case for SR in the context of SMEs at both the European and Romanian level; and (2) a section on integrating social responsibility, which looks at the practical foundations of SR, the specific areas and expected actions related to responsible entrepreneurship, and provides a model for integrating social responsibility in core business.

1.3 SCOPE AND USE OF THIS GUIDEBOOK

This guidebook aims to build capacity and awareness about social responsibility in Romanian SMEs. It wishes to equip SME owners and managers with information that will enable them to take their first steps in, and benefit from, applying the principles of SR to their business operations. Specifically, it will:

| 1. Socially responsible small and medium enterprises (SMEs): a guide to integrating social responsibility into core business | 2. Case studies and lessons learned from SMEs in the process of integrating SR into their business practice | 3. SR Implementation: tools and techniques | 4. SR in SMEs: An overview of the Romanian SR model, its implementation and case studies of Romanian SMEs |
• explain what SR means to an organisation, through delineating core areas and issues related to SR;
• outline the business case for SR (how integrating SR can improve competitiveness);
• provide a methodology for getting started – understanding, clarifying and identifying risks and opportunities, and integrating SR throughout an organisation;
• offer guidance on identifying and engaging with stakeholders; and
• provide good practice examples.

The guidebook has a general perspective on business sustainability to increase its range of applicability to different business sectors. Please feel free to adapt it to your organisation’s specific needs, by giving priority to areas you are mostly concerned with from the perspective of your organisation’s core business.

Four core areas of SR were condensed from international standards (based on ISO 26000, the EU 2011 Communication on CSR and the UN Global Compact, and informed by the OECD principles of Corporate Governance, the AA1000 series and the GRI reporting system) and from previous research and reports on social responsibility in SMEs, and are addressed in the guidebook within dedicated sections:

| Workplace | Marketplace | Environment | Community |

Practical examples of HOW these issues were addressed responsibly by companies operating in Romania (including SMEs) are provided for each of these areas. We hope that by your own contribution to the development of social responsibility in Romania, and its adequate communication, the good practice section will expand and consequently inspire more responsible behaviour.

This guidebook suggests that socially responsible management is not something overly complicated and expensive, not supported by a business case. The road to business sustainability can be long, and we encourage you to take it step by step. Always consider that the aim is not rushing to the end and implementing a range of formal and sophisticated SR policies in the shortest time, but fostering small yet significant changes that can increase the capacity of your business to be competitive, while contributing to a better quality of life for all its stakeholders.

As concluded by the study on which this guidebook is based, a lot of the time central, regional and local authorities are not sufficiently involved in promoting social responsibility and creating support frameworks and favourable conditions to encourage organisations to integrate responsible practices. Campaigns to promote responsible business behaviour are yet to become prominent. Nevertheless, we recommend that, given the context of globalisation, small and medium enterprises adopt responsible practices – a condition that is becoming mandatory to stay competitive on the market. This guidebook hopes to contribute to the facilitation of this process.

Finally, this guidebook is not meant to be a replacement to any of the regulatory or institutional guidelines that your company must adhere to, but rather a guide to ensure that all aspects of your company’s impact on society are responsibly and transparently identified and managed.
2. WHAT IS THE SOCIAL RESPONSIBILITY OF AN ENTERPRISE?

...Making a healthy profit?
...Employing talented people?
...Contributing to the local community's tax budget?
...Training your employees, and listening to their concerns?
...Being actively concerned about the health and safety of your employees?
...Having a waste management / recycling system in place?
...Increasing the efficiency of your production system?
...Supporting your clients and customers pre- and post-acquisition?
...Saving resources – energy, water, etc.?
...Being a good neighbour in the community you inhabit (in regards to your impacts – noise, pollution, dust, etc.)?
...Respecting the spirit of the law? etc.

A company’s social responsibility can be about each and all of the above, in addition to other types of actions that managers of SMEs already pursue in their day-to-day business activities. Thus, SR is little more than another name for a lot of the efforts that naturally go into the management systems of businesses of all sizes.

The public discourse generally alleges that social responsibility is something that only big corporations do – resulting in the well-known concept of CSR (corporate social responsibility). This is the case in Romania as it is all over the world. One of the main reasons why SR practice is currently more prominent in multinational enterprises (MNEs) than it is in SMEs has a simple explanation: MNEs have become more conscious about the positive consequences of applying these principles, thus they have deployed resources to ensure its strategic integration into business. Importantly, SMEs in Romania employ about 2.3 million people (approximately 25% of the workforce)\(^2\). Therefore, they are a core part of any drive for more responsible business practices.

2.1 GLOBAL TRENDS IN THE EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY (SR)

Social responsibility has traditionally been associated with the private sector, particularly with multinational enterprises. For this reason, the term “corporate social responsibility” (CSR) is more widely applied than “social responsibility” (SR). The view according to which social responsibility is relevant for all types of organisations is a relatively recent one, and resulted from other social actors recognising that they had an equal responsibility towards society.

The terms “social responsibility” (SR) and “corporate social responsibility” (CSR) have been used by many people in different ways over the past 20 years. To help clarify this evolution we present here a schematic adapted from UNIDO (United Nations Industrial Development Organisation) - Figure 1.
Figure 1. The global evolution of Corporate Social Responsibility to its current position as a core enabler of sustainable business

In October 2011 the EU Commission redefined corporate social responsibility as “the responsibility of enterprises for their impacts on society”, and encouraged enterprises to have a process in place to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close cooperation with their stakeholders. Considering the evolution of the CSR concept (Figure 1), we can conclude that what started as voluntary, charity-based CSR has become corporate responsibility, and now is rapidly becoming sustainable business – a welcome evolution that places itself at the core of business. CSR today is about plain management: how we run our businesses. It is about business humility – recognising that businesses can only be sustainable and create shared value through engaging all relevant stakeholders and respecting decision ownership – and it is about focusing on true progress and sustainable innovation in operations and activities, not treating social responsibility in terms of marginal issues.

ISO (the International Organisation for Standardisation) in its 2010 Standard for Social Responsibility (ISO26000) articulated that the purpose of social responsibility is: “… to contribute to sustainable development, to take into account the expectations of stakeholders, to be in compliance with applicable law and consistent with international norms of behaviour, and to integrate all of this throughout the organisation and practice it in all its relationships.” ISO states that this is relevant to business because: “An organisation’s performance in relation to the society in which it operates and to its impact on the environment has become a critical part of measuring its overall performance and its ability to continue operating effectively. This is, in part, a reflection of the growing recognition of the need to ensure healthy ecosystems, social equity and good organisational governance.”

According to the World Business Council for Sustainable Development, “Corporate Social Responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large”.

\(^{\text{AIPPIMM, 2010 – www.aippimm.ro}}\)

\(^{\text{BStakeholders include communities, investors and lenders, governments, staff and their trade unions, NGOs (non-governmental organisations), students, teachers, donor organisations, insurers, industry peers, the buyers of the industry’s end products, environmental authorities, local mayors, etc. At large: any individual or group who can impact or be impacted by an organisation’s decisions or activities.}}\)
Practically equating the concept of SR, responsible entrepreneurship is a concept put forward by the United Nations that recognises the role of business in achieving sustainable development, and states that companies can manage their operations in such a way as to enhance economic growth and increase competitiveness while voluntarily ensuring environmental protection and promoting social responsibility (SR Glossary, 2005).

Considered to better suit the purpose and the audience of this guidebook, the term “social responsibility” (SR) will be preferred to “corporate social responsibility” (CSR) when the concept is used in the context of SMEs.

### 2.2 DEFINING SOCIAL RESPONSIBILITY FOR SMALL AND MEDIUM ENTERPRISES

In view of the various interpretations of social responsibility, we have developed this guidebook based on both international and local best practice. The guidebook integrates internationally accepted standards and guidelines to help achieve a common perspective and understanding about the principles and practices of social responsibility and local best practice to operate effectively in the Romanian context. In the context of globalisation, smaller and locally orientated businesses also have to position themselves in a global context, even if they do not intend to launch their own import or export activities; opportunities may arise, for instance, to build partnerships with multinational enterprises or attract foreign investors, etc.

Within the same line of thought, and for the purpose of this guidebook, the definition proposed to represent the social responsibility of SMEs is the one communicated by the EU Commission in 2011:

“Social responsibility is the responsibility of companies for their impact on society.”

Further on, according to the EU recommendation, the management of organisational impact needs to include proper stakeholder engagement. In the case of small and medium enterprises, the impact on society and consequently specific stakeholders could be largely subscribed to four main areas of social responsibility: workplace, marketplace, community and environment (for details and specific management actions of the four areas, please consult section 5 of this guidebook).

This definition emphasises:

- responsible entrepreneurship;
- with respect for the spirit of the law and applicable international norms;
- which seeks to increase positive contribution for all relevant stakeholders while minimising negative impact;
- through initiatives going beyond legislative and contractual requirements;
- which are proactive and take place regularly, rather than on an ad-hoc basis.
Running your enterprise in a socially responsible manner means essentially maintaining economic success and gaining a net commercial advantage by ensuring a good reputation and gaining the trust of your stakeholders.

In this framework, the understanding and application of SR principles in Romania, with particular focus on SMEs, has been investigated in nine cities in Romania in selected key organisations from all areas of society: public authorities, multinational companies, Romanian companies, SMEs, NGOs, federations and unions, professional associations and networks. Specifically, through semi-structured interviews, the study examined the understanding and practices of 27 organisations with prior and diverse experiences running or collaborating on SR strategies and activities for more than a year. Respondents were either the managers of the organisations or CSR coordinators and were considered well informed and able to provide useful data. The purpose of the interviews was to obtain information on the understanding and experience of CSR/SR and influencing factors, how that might impact the level of engagement in CSR/SR, the strategies and approaches, as well as best practice and the inherent learning outcomes that might accrue from successes and failures. The selection of organisations to be analysed was conducted in a way that ensured a geographical spread of organisations, and a cross section of opinions from diverse social and economic backgrounds and experiences. The organisations were selected from the personal network of the researchers and from recommendations. The issue of ‘representativeness’ is not a concern, as the study had a discovery-oriented approach aiming to develop new insights, which can inform future confirmatory research.

The reality on the ground, as demonstrated by the interviews, indicates different perceptions when it comes to the impact of SR in Romanian SMEs that can be grouped in two main categories: SR is either viewed as beneficial to SMEs, or is considered to react against business / be impossible to implement from a business perspective.

Table 1. Current perceptions in Romanian SMEs about SR

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<th>SR offers advantages to us</th>
<th>OR...</th>
<th>SR is not for us</th>
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<tr>
<td>1.... “it’s not about donations to community, it is about helping to develop and restore</td>
<td>... “it’s for big corporations, not for SMEs”</td>
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<td>where the case) resources you use to run your business”</td>
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<td>2.... “helps to avoid problems with local community and be a good neighbour”</td>
<td>... “it is way too costly, there are no extra resources to do SR”</td>
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<td>3.... “helps to keep employees closer, and ensure they keep focused on the work”</td>
<td>... “if there is impact on stakeholders, it is marginal”</td>
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<td>4.... “helps to improve operations and save money on the long term”</td>
<td>... “it doesn’t pay off the investment, business can be done without</td>
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<td>5.... “gives competitive advantage in ensuring international clients”</td>
<td>... “the law is complex enough and it is already very hard to keep</td>
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<td>up with mandatory requirements”</td>
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<td></td>
<td>... “it is against business, the costs it involves threaten day-to-day</td>
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<td>operations”</td>
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Even if it might seem counterintuitive, SR is not an extraordinary practice in which MNEs invest excessive amounts of money. It might surprise you that in fact, SMEs are not only naturally pursuing socially responsible behaviours, but are better positioned in relation to social responsibility than MNEs are. This means that socially responsible results could be achieved with much less effort than in large companies. The argument, as confirmed by the study, is simple: compared to large enterprises, **SMEs start from a very good position when it comes to pursuing responsible business practice.**

- They have fewer employees; therefore it is easier to develop a corporate culture within the company.
- They have more flexible operations. With a less formal and bureaucratic organisational structure than large companies, SMEs can identify and respond to new ideas and market opportunities more easily and quickly, and achieve SR integration without as much administrative burden.
- Many SMEs already conduct themselves in a socially responsible way, so integrating SR is not about redefining what they are already doing, but about maximising the impact of the existing practice by seeing its business benefits, integrating it into core business and raising awareness among important internal and external audiences in a way that will help them become more competitive.

From this perspective, SR is far from being an extra burden to enterprises. It is in fact an improved way of doing what they are already doing and effectively using this reality as a competitive advantage. This is not to say that all benefits will be immediate. The specific impact of running your business responsibly might take a while to manifest. But remember you also want your business to be around and growing for a while.

### Some of the ways SR drives competitiveness in SMEs include, but are not limited to:

- Maintaining your reputation as a good employer and good neighbour in the community… *it is very unlikely you won’t need your neighbours’ goodwill and understanding at some point.*
- Producing more motivated, therefore more productive and loyal, employees… *unmotivated employees are less likely to do their job correctly; plus engaging in recruitment all the time is a waste of time, money and effort.*
- Optimising operational costs due to more efficient deployment of resources; (e.g. less energy consumed is less money spent) … *inefficiency costs!*
- Providing access to new markets (e.g. Socially Responsible Investments, multinational supply chains, responsible public procurement)… *markets are continuously expanding; not keeping up to the challenge can eventually mean losing significant opportunities!*
- Providing additional strength in negotiating contracts (use of SR as a differentiator)… *more and more, low price alone becomes less of a differentiator.*
- Providing easier access to public/European funds or grants… *money is harder to get without a considerable trust capital.*
- Ensuring easier access to loans from banks and lower fees from insurers (once the banking and insurer sector matures)… *if they don’t trust you are reliable, finance options are fewer and more expensive.*
- Facilitating recommendations/guarantees to access loans.
- Ensuring proactive communication with stakeholders… *stakeholders can represent an added value to the organisation.*
- Networking opportunities that can result in new clients… *not engaging can mean missing business opportunities!*
- Identifying and reducing risks… *prevention saves you future expenses!*
- Proactive opportunity identification and strategic thinking… *be one step ahead the market!*
- Providing improved and responsible products/services, therefore better client/customer satisfaction… *unhappy clients not only leave, but also spread the word!*
- Enhancing product/service reputation… *without trust capital, sustainable growth is a very distant target.*

Furthermore, responsible entrepreneurship for SMEs is becoming a key competitive advantage, ensuring profitable and long-term contracts. For instance, in many cases SMEs are part of an MNEs’ supply chain, which consequently brings benefits but also new requirements related to social responsibility. In the supply chain, large companies are being held responsible not just for their own operations but also for the practices in other parts of their sphere of influence. Part of the reason for this is that they now outsource much of their production and/or operational processes. In response, large organisations are seeking more and more to identify and mitigate negative social and environmental impacts in their supply chains, seeking efficient technologies and best practices from suppliers and contractors.

On the other hand, the integration of economic, social and environmental concerns doesn’t exclusively happen in business, but also more and more in the public acquisitions sector. Although the Romanian market is still only beginning to introduce social responsibility criteria as a differentiator in securing public contracts, the European reality shows an ever-increasing focus of public policies on socially responsible acquisitions. Therefore, it is most probably a question of time until the requirement for socially responsible public acquisitions spreads within all European states – giving a competitive advantage to enterprises that will have already integrated social responsibility into their core activities.

Some of the perceived obstacles to integrate SR in SMEs include, but are not limited to:
- Perceived and/or real costs;
- More immediate needs and pressure from the daily struggle to survive financially;
- Lack of know-how and know-who (how to integrate SR, what are the advantages, the degree of resource availability, etc.);
- Difficulty in measuring intangible benefits;
- Limited immediate and obvious reward from the market / relevant public authorities for pursuing responsible business practice.

In this context, it is beyond doubt that SMEs lack the resources, knowledge and experience to organise systematic SR policies and systems, which may create a barrier to them in practicing SR in an organic and sustainable way. This gap could be filled, on the one hand, by multinational enterprises. As part of their own social responsibility, MNEs could play a significant role in building the capacity of their suppliers – SMEs – to integrate social responsibility in their operations, thus facilitating their compliance with specific acquisition requirements. This support could be enacted, for example, through knowledge transfer.
On the other hand, in order to build the capacity of SMEs to integrate SR, several initiatives were born at the global, European, national, regional, and sectoral level to serve as a resource and toolkit to provide useful SR knowledge and practical tips for SMEs. To provide the adequate context for this guidebook, the following section will be a brief overview of such initiatives at the European and national (Romanian) level.

3.1 SR IN SMES: INITIATIVES AT EUROPEAN LEVEL

Several initiatives were implemented at European level in order to facilitate the integration of SR principles in SMEs business operations. Among them, as part of the efforts to support the uptake of SR practices among SMEs, the EU Commission co-financed 14 projects, from 2006 to 2008, through the funding programme ‘Mainstreaming SR among SMEs’. Projects focused on, for example, training business advisors for SMEs or setting up guidelines for multinational companies showing how best to manage SR supply chain requirements in a way that maximises the benefits for buyers and SME suppliers alike. Key results were reported to be: 75 organisations as formal project partners, a total of 450 other organisations involved, 300 seminars and other events organised, 3000 SMEs directly assisted, 11 surveys and country analyses, 2 curricula on SR for further education, 3 training modules for business advisors, 5 SR guides for SMEs in 12 languages, and 370 case studies of SR in SMEs. For more information, please consult the European Commission’s website, [http://ec.europa.eu](http://ec.europa.eu).

Several studies and reports\(^5\) have shown that most European SMEs have a proven track record in responsible business practices in at least one of the core SR areas: community involvement, marketplace, environmental protection or employee support. Some examples of such good practice can be found in ANNEX 1 of this guidebook.

3.2 SOCIAL RESPONSIBILITY IN SMES: CURRENT SITUATION IN ROMANIA

It wasn’t until recently (2011), with the publication of the National CSR Strategy, that the government recognised the importance of raising awareness and supporting the development of the SR field in Romania, by identifying gaps and setting objectives aligned with EU strategy. Nevertheless, since the integration into the EU and with EU funding support, awareness raising initiatives, research studies, seminars, conferences and websites have been initiated and developed by government institutions and authorities in one or more of the specific topics addressed under the SR umbrella. Examples include initiatives to prevent or reduce pollution, promote equal opportunities for men and women and non-discrimination in the work place, promote road safety, promote the social inclusion of people with disabilities, and to reduce bribes and corruption in public institutions and authorities.

There are still only few initiatives in areas of concern and related to SR, and government institutions and authorities tend to be a secondary partner in projects and campaigns, rather than the main initiator.


The role of employers and employees’ representatives in advancing the implementation of responsible business practices is an important one. As part of the present research, several initiatives advanced by employers and employees representatives in the field of SR have been identified. While the majority of these seem to focus on a particular component of the SR spectrum, such as employee health and safety, employee skills development or environmental efficiencies, some have also been identified as focusing on promoting and encouraging the integration of SR into business operations. A list of initiatives from the Romanian Chamber of Commerce can be consulted in ANNEX 2.

Research conducted in 2006 on 205 Romanian large, medium and small enterprises concluded that external pressure (NGOs, media, Government), together with the reputation and growing popularity of the subject (CSR/SR) represent the main motivation for implementing social responsibility in an organisation.

There is no doubt that SMEs in Romania have had little guidance on SR. Funded by the European Social Fund through SOPHRD, the programme “Strengthening the capacity of Romanian companies to build social partnerships – CSR” aims to contribute to filling this gap. One of the first steps in achieving this is the elaboration of this guidebook, designed to assist the integration of SR issues to strategically support the core business of SMEs.

The project “Strengthening the capacity of Romanian companies to develop social partnerships – CSR” has the following strategic directions:

- publishing studies and reports on the practicability of SR in Romania and the experiences of other EU states in this field and about the results of the project;
- test running recommended SR strategies within at least six selected Romanian companies;
- accumulating human capital in SR through the training of managers in the field; and
- raising public awareness of SR and of the project itself.
4. A STRATEGY FOR RESPONSIBLE ENTREPRENEURSHIP

As presented in the first part of this guidebook, being socially responsible means ensuring the economic success of an enterprise while addressing social and environmental concerns within its core activities. In order to ensure its sustainability a business should satisfy its clients, generate profit to ensure financial health and respect the expectations of people that it affects or is affected by, such as its employees, suppliers, or the community in which it operates. It thus builds shared value and effectively manages the impact of its activities. Moreover, operating in a socially responsible manner (i.e. responsible entrepreneurship) can add direct benefits to business and ensure long-term strategic competitiveness through proactive and innovative problem solving and the generation of a supportive team that maximises opportunities.

There is no standard strategy for responsible entrepreneurship. All strategic thinking requires an approach tailored to the core vision, mission and values of the enterprise. However, over and above the particularities of specific enterprises, responsible entrepreneurship is built on two core foundations:

<table>
<thead>
<tr>
<th>SR foundational components for SMEs</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Recognising an enterprise’s social responsibility (and where it can add business value).</td>
<td>Understanding how decisions and activities within its sphere of influence impact internal and external stakeholders and their shared environment.</td>
</tr>
<tr>
<td>2. Engaging with stakeholders to build shared business value and minimise stakeholder and business risks.</td>
<td>The identification, recognition and engagement of its stakeholders, the respect given to their interests, and consideration of the impacts that its decisions or actions may have on them.</td>
</tr>
</tbody>
</table>

4.1 RECOGNISING AN ENTERPRISE’S SOCIAL RESPONSIBILITY (AND WHERE IT CAN ADD BUSINESS VALUE): MAKE YOUR COMMITMENT!

It is well known that an enterprise is not an entity operating in isolation. Any enterprise is naturally positioned in a larger context, including relationships with its environment and resource base. This subscribes to what is defined as “the systems view of the world”, which attempts to see individual entities in their larger, interconnected context, and in which a sustainable solution is designed in relationship to other entities.

With this in mind, if enough SMEs can act responsibly, a significant difference can be achieved on a much larger scale; and, from a leadership perspective, odds are good for improvement: owners and managers of SMEs tend to be passionate individuals, very involved in every aspect of their organisation, generally close to their employees, and with a considerable capacity to adapt to change.

…So where do you start?
Making a commitment is the first step toward responsible entrepreneurship. You don’t have to think up complex processes and end up realising they are way above your organisational capabilities. Instead, it is advised that you set yourself realistic goals, even though this may seem quite difficult. It is important that the SR activity becomes a positive and successful contribution to your business. So the best social responsibility strategy for an SME is simple and not excessively time-consuming to operate. However, bear in mind that it is important to ensure some level of responsibility.

Ideally, an SR strategy for an SME should be linked to, or should integrate, existing management systems (e.g. ISO 9000 Quality Management System and ISO 14001 Environmental Management System). The end purpose is to integrate responsible entrepreneurship into day-to-day business operations.

4.2 ENGAGING WITH STAKEHOLDERS TO BUILD SHARED VALUE AND MINIMISE STAKEHOLDER AND BUSINESS RISKS

4.2.1 What is a Stakeholder and what is Stakeholder Engagement?

As with all terms of central importance to any business, it is important that we share a common view of what the terms “stakeholder” and “stakeholder engagement” mean. In this guidebook we let ourselves be guided by the definitions from AccountAbility and from the International Organisation for Standardisation (ISO):

**Stakeholder**

“Any group or individual who can affect, or is affected by an organisation or its activities. Also, any individual or group that can help define value propositions for the organisation.”

- AccountAbility and UNEP’s Stakeholder Engagement Handbook – “From Words to Action”, 2005

“An individual or group that has an interest (or “stake”) in any activities or decisions of an organisation.”


**Stakeholder Engagement**

“An organisation’s efforts to understand and involve stakeholders and their concerns in its activities and decision-making processes.”

- AccountAbility and UNEP’s Stakeholder Engagement Handbook – “From Words to Action”, 2005

“Any activity or activities undertaken to create opportunities for dialogue between the organisation and one or more of its stakeholders, with the aim of providing an informed basis for the organisation’s decisions.”


The first discovery is, therefore, that we all do some form of stakeholder engagement already.

*Interest* in this sense does not mean “curiosity” nor does it refer to a hobby, avocation or pursuit. In this context interest refers to something that can be the basis of a claim. Such claims need not involve financial claims or legal rights. Sometimes the claim can simply be the right to be heard. From the standpoint of social responsibility, the significance or relevance of an interest is best determined by its relationship to sustainable development and the welfare of society. Individuals or groups that are affected, or likely to be affected, by an organisation are usually considered to be among its stakeholders.”
### Identify your stakeholders

- Who are we responsible to?
- Who can most influence our progress?
- Who operates or lives beside us?
- Who is dependent on us?
- Who represents our stakeholders?
- Who are strategically important to us?
- Who stands to gain or lose by our activities?
- Who can help?
- Who is obviously against or for our company or uses our company as a platform for their position?

### Your stakeholders could include:

- Employees
- Shareholders and investors
- Consumers
- Business partners (e.g. suppliers and contractors)
- Government and regulatory bodies
- Industry associations
- Opinion leaders
- Non-governmental organisations (NGOs)
- Local community organisations
- Media
- Family…

Many SMEs have close connections to many of their stakeholders. Although some stakeholders are relevant to most businesses, such as employees, authorities and customers, not all of them are of equal importance to every business. In a strategic stakeholder dialogue you have to determine which stakeholders are of most importance to the continued existence of your business and give them top priority.

#### 4.2.2 Why engage your stakeholders?

Stakeholder engagement is about relationships and dialogue between our organisation and stakeholders. But why engage? The answer is simple. If we did not we would be out of business already. We do it every day. A list of some obvious areas in which we engage include:

- Shareholder/investor relations;
- Team meetings and communication;
- Conflict resolution;
- Permitting;
- Contractor/consultant/supply chain management;
- Community relations;
- Continuous learning;
- Land access;
- Risk and opportunity management;
- End users requirements;
- Company, community, industry, academic, etc, events; and
- Family, friends and hobbies.

The challenge is to engage in a systematic fashion that is integrated into your business and management functions and that contributes to the sustainability of your enterprise and that of your stakeholders. Some of the business benefits of stakeholder engagement can be read below.
Quality stakeholder engagement can:

- Result in more equitable and sustainable development by giving those who have a right to be heard the opportunity to be considered in decision-making processes;
- Enable better management of opportunities, risks and reputation;
- Enable the complementary pooling of resources (knowledge, people, money and technology) to solve problems and reach objectives that cannot be reached by individuals, groups of individuals or organisations acting on their own;
- Enable understanding of the complex operating environments, including market developments, political and cultural dynamics;
- Enable learning from stakeholders, resulting in product and process enhancements and innovations;
- Inform, educate and influence stakeholders to improve their decisions and actions that will have an impact on the organisation and on society; and
- Contribute to the development of trust-based and transparent stakeholder relationships.

Source: AA1000 Stakeholder Engagement Standard, Final Draft, September, 2011

In other words, effective stakeholder engagement can minimise risks and maximise business opportunities. Actively listening to the opinions and concerns of stakeholders can contribute to avoiding or resolving conflicts with the respective groups. This is valid as much in the case of internal dialogue between management and different employee groups as it is in the relationship with the community. A higher degree of transparency and openness can create a better understanding of your business and can enable the commitment of the community in mutually beneficial purposes (for example, extending local operations) – which also minimises the risk of a future conflict.

Active and continuous dialogue with stakeholders – such as suppliers, customers and consumers, through meetings, workshops, written communication, etc. – can be used to continuously improve existing products and services, and also to explore and develop new markets.

### 4.2.3 The stakeholder engagement (SE) process

**Model Overview:** The structure of SE policies and processes may be represented by a model. This model is made functional through a set of templates and tools (see AA1000 Stakeholder Engagement Standard, Final Draft, September, 2011). It requires your business objectives and project decisions and activities to be partnered with their respective stakeholders. This partnership forms the foundation of the model, which comprises five key sections as outlined below.

**Model Objective:** To enable the company to sustainably develop its projects and businesses.

**Vision required by the model:** Stakeholder engagement is a mentality, a culture respecting the ownership of decisions, the sharing of vision and objectives. It needs to be internalised in the day-to-day operations and needs to be effectively managed so it contributes to business sustainability.

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The 5 key sections of the model are: Strategic objectives, necessary decisions and activities, stakeholder identification, sustainable implementation and refinement. These are presented with a description of each stage in Table 2 and presented as a visual model in Figure 2.

Table 2: The five key sections of our Stakeholder Engagement Management

<table>
<thead>
<tr>
<th>Steps</th>
<th>Description</th>
</tr>
</thead>
</table>
| 1       | **Strategic Objectives**  
Achieve clarity of strategic objectives within the team. Use the five capitals of sustainable development to help (Annex 5). |
| 2       | **Decisions/Activities**  
Make a list of all of the major decisions/activities/tasks needed to reach your objectives. |
| 3       | **Stakeholder identification**  
Ensure you have a database of all the stakeholders who can be impacted by or who can influence your decisions, activities and tasks. Be objectively aware of where the ownership of the decision lies. |
| 4       | **Sustainable Implementation**  
Know at what level the relevant stakeholder should be engaged. Plan what engagement methods to use. Assign the five levels of engagement – inform, consult, involve, collaborate, or empower. Refine through feedback. |
| 5       | **Refinement**  
After receiving the initial data for steps 1 to 4, build up clarity and content as the understanding of all four steps matures. Continue to improve. Use the five strategic steps of engagement to help (see Figure 2). |

Source: astoneco management, 2009

Figure 2. Stakeholder Engagement Process

Note: For an example of working tool to start your SE plan, please see ANNEX 3.
The previous section suggested that the core foundation for social responsibility is two-fold: (1) recognising your social responsibility and committing to it; and (2) engaging your stakeholders. This can improve competitiveness and achieve business sustainability.

In order to manage your social responsibility, you must first correctly identify it. To enable this, you need to become familiar with the issues concerning social responsibility in at least the following core areas:

The following sections about these core areas also include examples of how companies operating in Romania have applied their corporate responsibility practices, making it more understandable by demonstrating HOW it works, WHAT actions could be (and have been) taken, WHAT benefits are gained and good advice for small business owners and managers. Examples also include practices of multinational enterprises, which can act as models for smaller companies in view of their business relationships with SMEs within the supply chain, through sharing their experience regarding social responsibility.

As mentioned before, this guidebook is mainly concerned with a general model of SR integration into the core business of Romanian SMEs; brief examples from Romania-operating companies are a necessary illustration of the theory, but at the same time they are not the main focus. A follow-up to this guidebook will be dedicated to better fill this practice gap through a set of rigorous and extensive case studies.
Workplace

Workplace issues are key to the success of any business.

Human resources are the most valuable assets for any SME, through their expertise, productivity, and involvement.

The workplace chapter deals with company policies and practices towards their main internal stakeholder – employees – and largely refers to improvement of working conditions, pay and benefits or job creation.

**Issues of most significant concern**

- Employment and employment relations – equal opportunities, HR management, communication with employees,
- Conditions of work and social protection – pay and benefits, workplace climate,
- Health and safety at work – policies and trainings, etc.,
- Human development and training in the workplace,
- Work-life balance.

**Examples of key actions to improve workplace performance**

- Eliminating discrimination in employment practices and offering equal opportunities to women, workers with disabilities and other vulnerable groups, such as young or older workers,
- Ensuring a grievance procedure and system exists in response to situations involving discrimination and harassment allegations,
- Preparing a simple employee handbook on employment terms, benefits, performance appraisals, staff suggestions and complaints procedures,
- Providing a reasonable and reliable living wage and fair remuneration for employees,
- Assessing potential health and safety risks and implementing the necessary measures to mitigate the identified risks,
- Ensuring adequate health and safety arrangements, incorporating physical and mental well-being,
- Using health promotion and education to support a high standard of health,
- Facilitating employee access to training, development, lifelong learning, knowledge and enriching experiences,
- Introducing flexible working arrangements (e.g. working from home, flexible working hours, part-time work).

**Benefits to business**

1. Staff retention,
2. Motivated staff,
3. Being employer of choice,
4. Reduced accidents and risks,
5. Better productivity,
6. Responsible profit.
**Examples of good practice**

### Small and medium enterprises

To ease access to the factory, **Lafor** offers its workers three Mini Buses for transport from home to work and back. In order to improve working conditions, the company periodically accesses governmental funds in order to develop facilities, for example a cafeteria, lockers, wastewater treatment plant, furniture, new computers, and an affective air filtration system to protect the health of the workers.

**Tehnoprod** (a furniture producer) supports people with disabilities and facilitates their access to a secure job. For example, the two employees with disabilities who are currently working in the company kept their positions over the last two years, a period marked by personnel reduction due to a downsizing of operations caused by the economic crisis.

The General Manager of **Alb-Violet** hosts a weekly meeting attended by all 25 employees. The goal of the meeting is to honestly and transparently identify problems at all levels and to find the solution together. The management style is purely participatory, and the efforts are aimed towards identifying people’s concerns and letting them find the answers. This way, people assume responsibility as they are offered the freedom to think and make decisions. Errors are permitted and not punished as long as everybody perceives the errors as lessons learned and they evolve naturally on the long term.

Focusing on the continuous professional development of its employees, **Maguay** invests in specialist courses in Romania (organised by CCIB, Intel, Microsoft, etc.) and abroad: Intel Server Training Workshop, Microsoft courses and exams to build competency in Microsoft Gold Desktop, Microsoft Gold Server, Microsoft Gold Virtualization, Symantec Altiris, Intel Solution Summit. Additionally, the company invests in online courses, periodical trainings in finance and accounting and marketing, and allows for study vacations according to employee needs.

For few years, **PointMax Solutions**, an SME in the field of production and creation of promotional products, implemented a support system for employees, establishing a finance fund for personal need. Employees needing a financial loan could borrow from the company fund, interest free, agreeing reimbursement conditions (amount of the instalments, period of reimbursement) with the accounts department.

The idea appeared naturally and was welcomed by employees, especially in the middle of the national economic crisis during which employees found it difficult to meet, for example, bank mortgage payments when facing a family health problem. The fund has generally been used for consumption credits (vacuums, refrigerators, television sets).

### Multinationals and large Romanian companies

At **Sensiblu Foundation**, employees are constantly informed about their rights, e.g. women are
contacted during pregnancy to be reminded about their contractual rights during the maternity period. Employees are offered transport to ease their access to work. Lunch is included in the benefits package. There are also systems in place to engage employees in all changes related to the workplace (e.g. the level of Air Conditioning). To motivate, retain and engage their employees, but also to solve community problems, the company financially supports projects proposed by these groups (based on the needs of their communities, their friends, their families).

The employment policy of **Coca-Cola Hellenic Romania** contains personal development plans that are agreed by each employee with the Human Resources Manager based on the strengths and development opportunities of each individual. Besides the KPIs directly connected to their job description, employees are encouraged to propose alternative indicators, outside the job-defined area (something important for them that they would like to develop within the company) and for which they are rewarded separately. This way, the company benefits from new ideas and innovative perspectives and keeps its employees engaged.

**Adrem Invest** employees are evaluated by their direct managers every three months, and depending on their performance indicator (calculated based on a series of previously agreed KPIs) they can receive a bonus with a value of up to one month’s salary. The company additionally invests in training programs to develop employees’ personal and professional competencies according to their current responsibilities, and also to develop capacity for new opportunities within the company. As Adrem Invest is a family business — created by two brothers and developed with the help of their wives and children— they are focused on developing the “Adrem Family” concept; they founded the “Adrem Club”, which involves a debate section on issues chosen by employees, a theatre section that offers diction classes, communication, impressions and mounting a play, and a sport section where the team is offered access to sport fields in Bucharest, where the company is based. All these activities take place during work hours and participation is voluntary.

**Rompetrol** created a specialised health and safety department that works closely with a crisis management team (they conduct impact assessment studies; carefully monitor all incidents and constantly work to eliminate their causes). A manual was drafted as a result of this activity, which explains potential crisis situations and provides mitigation procedures, and was finalised only after it incorporated feedback from all interested employees across all divisions and management levels. The manual was also published in a “pocket version” that was distributed to all employees. At least twice a year, training sessions based on the manual are offered to all employees.

“Ideica” Mascot (with a big head full of ideas) represents another way to engage employees at Rompetrol. “Ideica” travels to all company locations to collect ideas and suggestions from employees (regarding their needs, SR proposals, etc.). Some of the projects implemented as a result of this initiative were: the selective collection of waste, blood donations for children in need, toy collection for June 1st and supporting abandoned children. Because the projects are based entirely on their ideas, employees are directly involved and they volunteer in their implementation.
Marketplace

The most crucial factor of each enterprise’s economic effectiveness is the business environment in which it operates — including shareholders/investors, suppliers and business partners, and customers. We generically called it here the ‘Marketplace’.

Among the areas of SR, this is probably the closest to the core business of an enterprise.. Nonetheless, the way it operates on the marketplace is above all an indicator of how it performs in all other areas: workplace, environment, and community.

Aspects such as marketing, advertising, labelling, supply chain management, pricing, etc. should reflect an enterprise’s commitment to responsible entrepreneurship.

Issues of most significant concern

- Anti-corruption policies,
- Fair competition in acquisition process,
- Quality of product/service,
- Fair pricing,
- Promoting social responsibility in the value chain,
- Respect for property rights,
- Fair marketing,
- Protecting consumers’ health and safety,
- Sustainable consumption,
- Consumer service, support, and complaint and dispute resolution,
- Consumer data protection and privacy,
- Access to essential services,
- Consumer education and awareness.

Benefits to business

- Building relationships,
- Being seen as a credible and reputable business,
- Customer retention,
- Becoming a preferred supplier – brand loyalty,
- Obtaining a better understanding of customers views,
- Accessing new markets,
- Attaining new customers,
- Avoiding risks and legal issues.

Examples of key actions to improve marketplace performance

- Training and raising the awareness of employees and agents about corruption and how to counter it,
- Conducting your activities in a manner consistent with competition legislation and co-operating with competition authorities,
- Incorporating ethical, social, environmental, and gender equality criteria, including health and safety, in your purchasing, distribution and contracting policies,
- Paying bills on time and at prices that enable suppliers to fulfil their own responsibilities,
Socially responsible small and medium enterprises

Examples of good practice

**Small and medium enterprises**

To minimise risks, **Tehnoprod** works closely with the local office for consumer protection, so that all the necessary information is available on the packaging and on the user manuals of their products. The management of claims is approached holistically, and once reported the issue is checked all along the production cycle (not just Tehnoprod).

Given their concern towards their business partners, consumers and clients, **Maguay** organises training and specialist courses for users and potential beneficiaries of their products in addition to established annual seminars (No Time for Downtime, IX edition) with the participation of external partners (Intel, Microsoft, Symantec, VMWare, Quantum, PNY, Nexenta, STEC, Aten) - where they present the latest technological products and the development directions for the IT market. Maguay participates in the efforts of inducing and applying IT knowledge in society, participates in the Forum IT camp as partner and participated in the first edition of E-skill. The products of the company use the latest technologies and respect the environment - in 2008 the company obtained the Eco Label of the European Union.

**Alb-Violet** is currently promoting the “associative economy” concept that, applied to their own market – construction - refers to a form of association that will engage with producers of construction materials, distributors and retailers, construction companies, design and project companies, other service companies in the area, transport companies, and end users – both physical and juridical persons. The goal is that each actor commits to the specific responsibility for its own economic actions, and that together they can build a more sustainable business cycle. For Alb-Violet, this partnership concept represents a living process, and is at an early stage of development.

Alb-Violet is always seeking to be ahead of the market, through new and innovative products, even if the general interest of the public is low at the moment they are launched. Information about these products is released constantly and transparently, with no pressure and always next to “classical” alternatives. It was noticed that end customers and business partners tend to search for the new products and consultancy services offered by the company because of problems with mainstream products. This way, the company has won a good reputation on the market, having no need for aggressive publicity.

- Influencing your clients, whenever possible, to purchase more sustainable products if you can produce them,
- Providing access to non-hazardous products,
- Ensuring that products and services are economically, socially and environmentally sustainable,
- Not engaging in activities that violate property rights, including counterfeit and piracy, or which infringe stakeholder interests,
When it first started in 1992, the small family business Apidava used family members to produce, package and manually label its entire honey output, personally delivering the product to a few stores in some of the largest cities of Romania. In 2001 they began to export, while the boom of large supermarkets and hypermarkets in Romania also influenced the enterprise’s national growth, imposing new production and quality demands, in line with EU norms and regulations. Among its products are natural honey (*Roua Glorilor* is the first Romanian honey brand), ecological honey (*Di Melio*), therapeutic products made of honey and honey-related ingredients. In 2005 this small Romanian enterprise partnered with the Dutch investors Honey International B.V. and Trichilia who invested 700,000 Euro in equipment necessary for business development. The business currently exports to Holland, Germany, Austria, England, Poland, Macedonia, France, Italy, Sweden, Canada, USA, Japan and Singapore. Certifications: In 2002 Apidava implemented the Quality Management System ISO 9001 and in 2005 it obtained the HACCP certification (*Hazard analysis and critical control points*). These certifications are proof of implementation of food safety processes, based on prevention and avoidance of risks that compromise food quality. The enterprise recertified based on the new ISO 22000 for food safety. Apidava is also is among the few in Romania having a sanitary-veterinary authorisation for intra-community commerce RO H2 EC, after having met EU requirements concerning the processing and commercialisation of products of animal origin. The specific label can be found on its products.

### Multinationals and large Romanian companies

**Provident Financial** supports strict anti-corruption policies; they are currently working to improve their existing code of ethics through a common effort of all employees (who report all the ethical dilemmas they encounter in their daily activity, depending on their position in the organisation). To centralise all input, workshops and roundtables are organised and the conclusions will take the shape of a support manual for ethical issues.

The responsible marketplace policies that **Coca-Cola Hellenic** have developed include: responsible marketing (they do not target children below the age of 12); the voluntary use of RDA (Recommended Daily Allowance) labelling, including a transparent communication of sugar content so that consumers can make an informed decision; a toll-free telephone number for consumers; and a diversity of products and packaging options designed to meet the preferences of all consumers.

One of the priorities of the **Provident Financial**’s SR Strategy is financial education based on simple tools and accessible language about how investments can be managed from one’s own budget (with the goal of promoting the routine of personal budget management). Consumers are encouraged by the company’s financial consultants to choose the alternative with the least impact on their budget, to save money before considering a loan, and to make sure they have checked all alternative sources (family, friends). The products offered by Provident are, by default, short-term, so they are more controllable from a risk management point of view (compared to loans contracted over the longer-term). Provident does not use a penalty system or forced execution if the client does not meet their payment obligations, therefore minimising impact on the credit history of its clients. The company is focused
on transparency regarding the terms and conditions of its products and invests its efforts in making information available in accessible way - focus groups and tests are run to assess the information provided.

**Romanel Hardwood Factory** works only with suppliers who respect the law. Suppliers who send offers based on wood cut illegally (indicated by lower prices and no documentation) are reported.

When the 2% collection is organised, **Fundatia Sensiblu** extends the invitation to its suppliers and business partners; this way, they are encouraged to participate in SR Projects, and to contribute with offers or discounts.

Permanent investment in research and development brings double benefits for **Adrem Invest**, both in terms of business development, by entering new markets, and in terms of the environment. Adrian Bodea owns a patent for the process of degassing liquid steel using dry pumps, a process that replaced the standard procedure used at the time (based on steam ejectors) reducing carbon emissions by 86%. This process was then adopted at the international level. In 2008, in order to support innovative research and development projects, Adrem Invest decided to expand its services (CEZ takeover) to ensure constant and predictable revenue.

In its relationships with partners and clients, Adrem Invest also provides evidence of responsible behaviour. Every six months, through the Client Satisfaction procedure, the company engages customers on the products and services offered, and is open to suggestions for improvement. The proposals are analysed in periodical meetings and then implemented. The management of the partner engagement process is reflected in the ‘Client Property’ procedure.
**Community**

The most crucial factor of each enterprise’s economic effectiveness is the business environment in which it operates – including shareholders/investors, suppliers and business partners, and customers. We generically called it here the ‘Marketplace’.

Among the areas of SR, this is probably the closest to the core business of an enterprise. Nonetheless, the way it operates on the marketplace is above all an indicator of how it performs in all other areas: workplace, environment, and community.

Aspects such as marketing, advertising, labelling, supply chain management, pricing, etc. should reflect an enterprise’s commitment to responsible entrepreneurship.

**Issues of most significant concern**
- Anti-corruption policies,
- Fair competition in acquisition process,
- Quality of product/service,
- Fair pricing,
- Promoting social responsibility in the value chain,
- Respect for property rights,
- Fair marketing,
- Protecting consumers’ health and safety,
- Sustainable consumption,
- Consumer service, support, and complaint and dispute resolution,
- Consumer data protection and privacy,
- Access to essential services,
- Consumer education and awareness.

**Benefits to business**
- Focus on key partners and building of long-term relationships (2-way benefits),
- Recognition by local government,
- Granting of local “social license to operate”,
- Proactive feedback from local stakeholders enabling more informed decision making,
- Support with planning applications and new developments,
- Risk management – avoiding delayed permitting, protests (and the financial losses usually implied),
- New skills for employees,
- Recruitment (awareness),
- Building and maintaining reputation as good employer,
- Good public relations.

**Examples of key actions to improve community involvement**
- Participating in local associations with the objective of contributing to the public good and the development objectives of communities,
- Maintaining transparent relationships with government officials free from bribery or improper influence,
- Taking into account the promotion of community development in planning investment projects. All actions should broaden the opportunities for citizens, for example increasing local procurement and outsourcing to support local development,
- Considering the impact of investment decisions on employment...
crea
tion,
• Giving preference, on a level competitive playing field, to local
  suppliers of goods and services and contributing to the develop-
  ment of local suppliers,
• Fulfilling your tax responsibilities as described in the law and
  related regulations,
• Where economically feasible, adopting practices that allow
  technology transfer and diffusion to contribute to long-term lo-
  cal development,
• Obtaining prior informed consent of the local community for the
  use of local natural resources and respecting the traditional use
  of natural resources by local populations,
• Helping to conserve and protect cultural heritage, especially
  where your operations may have an impact on it,
• Promoting and / or supporting education at all levels and engag-
  ing in actions to improve the quality of education, to promote
  local knowledge and to eradicate illiteracy,
• Seeking to minimise or eliminate the negative health impacts
  of any of your decisions / activities and helping to promote a
  healthy life-style.

### Examples of good practice

#### Small and medium enterprises

**Lafor** supports education in the village where they operate (Razboieni) through a scholarship program for the children of their employees, offering financial prizes based on academic achievement (e.g. for 1st prize in primary school they receive 1000 RON, in middle school they receive 2500 RON and in high school the amount is 5000 RON). They also provide financial support to local teachers for the organisation of an early excursion with the children. Another sign of social responsibility towards their host community is the fact that they moved the company office from Piatra Neamt to Razboieni so that the taxes are paid to the community they are actually operating in. Management is actively involved in the life of the community, they vote there and they encourage the local population to assume civic responsibility (although they are not politically involved).

In the case of **Racordex**, the space where the factory was built was selected in order to improve the image of the community; the field was initially a swamp located at the entrance of an area with high touristic potential high-potential touristic area, the historic Varatec monastery. This space has been transformed: the building is constructed, grass has been planted and gardens complement the landscape.

Involvement in the community is achieved through participation in the European project Minerva —
Emancipation for equal opportunities 2010-2013, that has the objective of raising the access of women to jobs / building a professional career (the women benefit from free professional training). Racordex assumed the responsibility of coordinating the project in North-Eastern Romania (Neamț area and the surroundings). Besides developing these communities, there is also a financial benefit to the company.

Since its creation, **PointMax Solutions** has been involved in diverse social activities in support of disadvantaged groups, especially children. Their involvement results from a desire ‘to do good’ and it is either based on long term traditions with specific causes or hearing about a cause with which they relate and which that they can support.

For the past four years the firm has provided expertise and support for the NGO Hospice Casa Speranței for organizing and implementing events and occasionally sponsorships. The NGO deals with providing palliative care for children with serious chronic disease.

In 2010 it supported the activities of the Principesa Margareta Foundation with voluntary work, for example by organising a story telling evening for children. They sent invitations to their business partners to participate with donations for children (toys and sweets) and to a network of acquaintances comprising national celebrities such as actors and TV presenters (to read stories, draw and sign books). Over 200 children and their parents participated in the event, which attracted TV and media attention.

At Valea Plopului orphanage there are 300 children in the care of a priest. Twice a year PointMax Solutions organise a collection of donations for orphaned children, communicating with business partners, collaborators and friends to gather in kind donations comprising clothing, toys, medicine and computers. Two trucks with goods were sent during 2010. The second donation was also accompanied by a team of four paediatric doctors from Bucharest who performed medical evaluations on all the children, made each of them personal medical charts and issued recommendations.

**Multinationals and large Romanian companies**

**Lafarge Romania** runs a biodiversity rehabilitation and protection project of on the course of river Arges, where the company runs its industrial operations. Matasaru, Mogosani and Costesti din Vale (Dâmbovita County) communities have been involved since the beginning of the programme. A permanent dialogue with authorities and the informal opinion leaders from the villages was conducted regarding the types of needs the community has and how Lafarge operations in the area (including the biodiversity rehabilitation) affect them. This enabled collaborative problem solving and identification of land use alternatives so that locals could satisfy their needs without destroying the biodiversity in the area. Ecological education programs were initiated in the local schools, even in the protected perimeter, and company employees together with community members receiving social assistance participated in sessions to clear out invasive species, with the resulting wood offered to the community for domestic use. Schools and universities will use the area for educational purposes: summer schools, experiments, etc.
The community investment of **Adrem Invest** is focused on two strategic directions of their business: innovation and developing human resources. One of the projects they initiated (implemented in Craiova, Suceava, and Tg. Mures) is the organisation of two conference sessions for high school children named “Innovation and Creativity”. In order to develop the project, they are working closely with local and national scholars. The conferences will start in the first trimester of 2012 and will be closed with a general knowledge contest with prizes (e.g. excursion to Vienna at the Museum of Technology and Industry).

**Vodafone** invests in the development of sustainable products and services tailored to disadvantaged groups – an SMS client service centre for those with hearing impairments, a dedicated device and plan for seniors, etc. The intention is to address real needs of all stakeholder groups while sustainably developing its own business.

As part of their local operations, **Petrom** has been pro-actively engaging with its host communities by bringing all parties to the table under multi-stakeholder forums. These forums are based on open dialogue and collaboration between authorities, company and the community members regarding areas of common interest so that sustainable development can be made possible (e.g. Schela Community Resource Center, Isalnita Community Resource Center, etc.). In view of their concern for the community, the new Petrom headquarters in Bucharest were built on a field that was previously used as a fuel storage – so the entire area was decontaminated, and all infrastructure in the area built by Petrom was shared with the community at no extra cost.

The initiatives developed by **Coca-Cola Hellenic** in their host communities are mostly focused around protection of water resources, while maintaining respect for the specific needs of each community. The company takes the approach of building partnerships with NGOs, local volunteering programs and social investment. For the past three years, Coca-Cola Hellenic has been working in partnership with Tasuleasa Social on the project Green 003. Through the project, the Dorna Valley was cleaned from Vatra Dornei to Galati, trees were planted and civil society nuclei were created. More precisely, the children from these communities were taught about NGOs, project management, social responsibility, communication, the role of the authorities in development, and first aid techniques, etc. The children involved in turn recruited children from other schools and high schools for volunteering and they themselves started to develop their own projects in partnership with the company (which supported them with small amounts of money). One example is the selective waste collection programs implemented in the communities. In all these projects, Coca-Cola Hellenic employees volunteered together with their children. The project was essentially based on mobilising human resources, and less on financial resources. In order to support ecological education, at Dorna Cândreni a resource centre and a pedagogical forest were created, and the children participate in interactive classes offered by Tasuleasa Social. Currently, Tasuleasa Social is in the process of being officially recognised as a non-formal education provider. In the same area a green water filtering system has been implemented, with water going through a natural filter (clay, reed, etc.), which can then be used as drinking water.
In the area of community engagement, Vodafone Romania launched the “Partnership for Life” program - together with SMURD, Salvamar, Salvamont, and REACT. Since 2005, Vodafone has been implementing a real-time telemedicine service based on communication services (voice and data) for SMURD. Eight counties are entirely sponsored by Vodafone and co-financing supports the rest. At this moment, the project has been extended from voice and data to video with the 100 video cameras donated to SMURD. Together with REACT, Vodafone has been implementing the campaign “A life can depend on you!” comprising two components: educating the public on the correct Emergency Call procedure, and free first aid training classes in five cities around the country. The company covers all the communication needs and equipment for Salvamont and Salvamar.

Through the campaign “A chance for life” developed with REACT, the number of blood donors grew by 30% at the national level (Dec 2008, as compared to Dec 2007). Since it was established in 1998, Vodafone Romania has supported hundreds of programmes to benefit children, seniors, people with disabilities, vulnerable groups and victims of natural disaster. All projects are evaluated, revised and strategically developed on an annual basis.

In 2002 Sensiblu initiated a program aimed at preventing domestic violence, including providing services for victims. The project was founded on their brand identity – Eternal Feminine – after a need was identified in pharmacies and from suggestions coming from community organisations. Sensiblu encourages social enterprises, and uses this as an acquisition criterion (on the condition that a specific quality standard is respected). Company computers that were surplus to requirements after a wide-scale technological update were donated to schools or partner organisations; enlarging communities’ access to technology and prolonging the product life cycle.

Health is an essential direction of Sensiblu’s social responsibility, so a lot of investment (money, time, expertise and specific products) is currently made into nursing homes, children with disabilities and NGOs offering mobile medical centres.

Romanel Hardwood Factory donates winter wood to the neighbours of their factory – the access road to the factory passes through the village, so it is in the interests of the company to compensate people especially as it is impossible to always be the perfect neighbour: it is hard to avoid the production of all noise, even if it is within the limits imposed by law, and wood chips can be blown in the air on a windy day, etc. Wood is also offered to community institutions, for example the town hall and the church, and community members are supported with equipment as needed. The community currently benefits from infrastructure built in the area by Romanel (mains sewage, 500 meters of road, etc.), as well as from contributions to the local budget.
Recent decades have seen a considerable increase in awareness and public concern about the impact of business on the natural environment. The acceleration of climate change, the scarcity of natural resources and the increasing price of energy are important factors that explain the necessity for an enterprise — regardless of its size — to integrate environmentally responsible practices into its business operations.

**Benefits to business**
1. Reduced landfill costs,
2. Reduced costs and environmental impact thanks to a more efficient deployment of resources,
3. Competitive advantage for attracting business partners,
4. Competitive advantage in relation to competition as environmental concerns become an increasingly important buying criterion for customers,
5. Compliance with environmental standards, for your company as well as your clients,
6. Access to new markets, if SR results in new ways of production concerned with “green” products or technology,
7. Reduced accidents in the workplace,
8. Avoidance of unnecessary damage.

**Environment**

**Issues of most significant concern**
- Prevention of pollution,
- Sustainable resource use,
- Climate change mitigation and adaptation,
- Protection of the environment, biodiversity and restoration of natural habitat,
- Communication to staff, environmental awareness, transparency and responsibility.

**Examples of key actions to improve environmental performance**
- Identifying the sources, or potential sources, of pollution and waste associated with your activities,
- Ensuring that specific production activities are done as effectively as possible with minimum energy, waste and environmental damage,
- Substituting naturally scarce materials with those that are more abundant,
- Protecting biodiversity and eco-system functions,
- Ensuring that all resources are used efficiently within cyclic systems and systematically reducing dependence on fossil fuels - using renewable resources from well-managed and restorative eco-systems whenever possible,
- Promoting energy efficiency in your organisation: sometimes it is as simple as lowering air-conditioning by one degree Celsius, switching off electrical appliances, or using LEDs instead of incandescent light bulbs,
- Minimising waste, re-using or recycling where possible;
- Relying on soft copy formats of documents wherever possible and making the default printer setting ‘double-sided printing’,
- Raising staff awareness and motivation through providing internal newsletters and intranet updates to increase environmental awareness.
Examples of good practice

Small and medium enterprises

**Maguay** is the only IT company in Romania that has obtained the European eco-label for desktops and laptops. In making its products Maguay employs the latest technologies and energy conservation recommendations, and it also has the Energy Star Certification. Some of the company’s achievements from this perspective are: 8 registered technologies to reduce energy consumption; min. 80% power source efficiency; an average energy consumption for LED screens of ~60 W/h; system weight of 8kg; use of recyclable materials, and the drastic limitation of polluting elements. In addition, Maguay promotes the appropriate collection and storage of environmentally hazardous materials (including relevant addresses and telephone numbers) on the company website, on the packaging and warranty certificates of its products, and in its corporate and product presentations to all clients. The company is a founding member of **ECOTIC** (an organisation concerned with the management, collection, and recycling of electric and electronic waste).

To meet the dual objectives of protecting the environment and saving energy in the long term, **Lafor** invested in a system of compensating reactive power (this type of power was costing the enterprise around 3-4.000 lei per month, costs that were eventually recouped). Through this system, all engines above 10 KV are modified with an inverter that not only saves energy, but also considerably prolongs the life of the engines. For Lafor, this led to an estimated energy saving of about 15-20%. The decision to invest in the reactive power compensation system was taken following advice from an energy consultancy company. Currently the enterprise is evaluating the benefits of investing in a co-generation plant / wind park. Aside from the environmental certification ISO 14000, Lafor voluntarily applied for Forest Stewardship Council (FSC) certification – which will most probably be obtained by the enterprise by the end of 2011. The Forest Stewardship Council (FSC) elaborated a set of 10 Principles and 56 Criteria, which generally describe the responsible management of a forest and refer to environmental, social, and economic aspects. Lafor doesn’t necessarily get more money for a product made of certified wood, but it gains improved access to international markets and more credibility from clients.

**Cortina BioProd SRL** is a poultry-breeding farm set up in 1999, which used to raise birds for meat in a conventional system. Through continued investment and effort the SME has transitioned to organic breeding practices, implementing a health and safety management system for the birds. The construction of the new farm began in 2002 as part of a World Bank project, and the first organic egg was produced in 2004. The investment comprised a 1000sqm shed, 16 000sqm of farm grazing land and 150 000 – 200 000 euro. Conventional systems would allow 30 000 poultry to be raised in that space, but the farm’s organic practices allow only 4000 poultry, producing 1 million organic eggs, per year. At the moment, the enterprise is the first and largest organic poultry breeding farm producing certified organic eggs in Romania. Certification is verified by a Romanian company, under supervision from a Swiss consultancy.
**Racordex** has prioritised designing an efficient production system to reuse the maximum amount of resulting waste – all to reduce costs and to protect the environment and the health and safety of employees. The production and management systems are designed so that everything is reused. For example, the production hall has a next-generation filtering installation that collects the small particles of rubber (“black smoke”), which result from the production process, which previously had a negative impact on employee health and the cleanliness of the hall. The filtering system reintroduces the collected rubber particles back into the production process. Racordex also implements the following standards integrated into its management systems: quality ISO 9001, environment ISO 14001, ISO 14001, health and safety OHSAS 18001, OSIM and A.P.I. certifications.

**Multinationals and large Romanian companies**

To protect the environment, reduce energy consumption and for a more efficient waste management system, **Romanel Hardwood Factory** reuses all wood waste to heat the production hall. Bark, wood chips, etc. are recycled and used as fuel for the heating system. Romanel also invested in two new thermic heaters in 2008 – the most efficient on the market. As a consequence, the resulting smoke – which is the company’s most polluting agent – is currently kept below the accepted European level.

In 2011, **Adrem Invest** established the Division of Green Energies, which develops projects to mobilise green energy such as a co-generation plant in Suceava, which provides heating to the community in the area, a project that favourably impacts the environment. A sustainable investment for Adrem Invest – both to ease workload of employees and to protect the environment – was the acquisition of electronic equipment for the administration of gas measurements – PDAs were given to all employees in the field eliminating the need for paper, as the entire process is electronic, even signatures from clients.

Given the core business of **Coca-Cola Hellenic**, the environment is a strategic concern for the company, specifically protecting water resources. The company’s goal is to reduce water consumption (between 2003 and 2011 it was reduced by 46%) – and to further reduce/recycle packaging. To achieve this, the company continually invests in developing new technologies. By incorporating water saving technologies in its production lines, it has managed to improve the efficiency with which it uses water. For example, in Romania two new technologies have been implemented in recent years: dry lubrication technology to eliminate substantial water consumption as gel instead of water moves beverages along the conveyors on PET production lines, and ionised air technology to wash the PET bottles, instead of water. The company ensures that all water returned to the natural environment is treated to a level that supports fish life. The weight of packaging has been reduced by 50%, which means using fewer raw materials, but also reduces transportation costs and energy consumption. The entire refrigeration fleet (over 94 000) runs with ecological agent R134a and is installed with thermostats for more efficient energy consumption. Coca-Cola Hellenic has built a co-generation plant for its operation in Ploiești, and the resulting extra energy is given to the local community. The company estimates an energy saving of 40%. Coca-Cola Hellenic always seeks solutions for improving fuel
efficiency of their trucks and cars through driver education (eco-driving), optimising routes of transport, reducing package weight and improving machine maintenance. Through the partnership with EcoRom Ambalaje, the company is actively involved in the process of collection and recycling of packaging – all packaging used by Coca-Cola Hellenic is recyclable.

Provident Financial’s environmental responsibility is expressed, among other initiatives, through awareness campaigns, printing on recycled paper, and company tracking of the consumption of water, fuel, etc. The company has set itself the goal of a 10% reduction in CO2 emissions by 2013, compared to 2011 levels.

Protecting the environment is a strategic priority for Rompetrol – which was also the first company to introduce Euro 5 quality fuel to the Romanian market. The company has invested in a new production line of cox lighters, a new business based on re-using waste resulting from the refinery (cox lighters can also be burned for domestic consumption, to replace wood or coal, discouraging deforestation and excessive mining). Rompetrol also holds one of the two industrial waste stores (of high security standards) in Romania.

Carpatcement started to use “alternative fuels” based on waste with high calorific potential to help diminish three of the most common environmental issues: growing CO2 emissions, increased quantities of waste and scarcity of non-regenerable resources. Using this method – co-processing or co-incineration – brings a lot of benefits to the environment: significant quantities of fossil fuels are saved, emissions are reduced, and potentially harmful industrial waste (from the oil and auto industries, agriculture, sylviculture, etc.) is recycled in an environmentally safe manner.

Important to know: To evaluate key actions that you choose to implement according to your organisation’s priorities, it is recommended that you establish a set of performance indicators and, once in place, measure them periodically. An extensive list of the types of indicators you might consider can be found in ANNEX 5 of this guidebook.
6. SOCIAL RESPONSIBILITY INTEGRATION MODEL

6.1 OVERVIEW

Looking at the core areas of SR and the issues related to them presented in this guidebook, you can observe natural synergies between responsible actions in one key area and the rest of the issues. It only takes a closer look for it to seem natural to link the environment to health and safety at work, and to draw up action plans based on a common wish for optimisation and efficiency. Furthermore, your local community could be involved in these plans, as they too have an important stake in this. It will also seem quite obvious to view staff development in the context of health and safety as well as good customer service, innovation and profit maximisation, and to leverage all positive results and activities to gain a competitive advantage on the marketplace and to increase bargaining power. All this will also build trust among your key stakeholders, and ease future dialogue and collaboration.

Doesn’t integration of SR into business operations already seem like it could actually be doable?

These are only a few examples of the positive impact a strategic approach to SR can have on your overall business. Also, importantly, once you get started, opportunities arise along the way and efforts to develop them become minimal as compared to the gains. For instance, in some cases synergy effects may be a source of inspiration for developing new products and services with a SR perspective (for example, “green” products).

At this point, the integration model for SR comes as a structured conclusion of the previous sections of this guidebook. What we will do next is essentially take the pieces of the “puzzle” — recognising your social responsibility (and its consequent business benefits) and making a commitment to it; and engaging key stakeholders in the core SR areas — and fitting them together in a structured process with the ultimate purpose of ensuring your business value.

ENSURING BUSINESS VALUE (through integrating SR)

Figure 3. Strategically managing SR core areas using corporate governance and stakeholder engagement - source: astoneco management adapted from ISO26000
Your commitment to social responsibility can be formally achieved through corporate governance. Your corporate governance is the system that formalises the activities by which your organisation is directed and managed in pursuit of its objectives; it guides how decisions are taken and oversees their implementation (i.e. anti-bribery and anti-corruption policies, avoiding conflicts of interest, codes of conduct, procurement etc.). Corporate governance is not only for large, listed companies; it also helps SMEs to ensure trust with business partners and customers through internal control of processes.

It is your responsibility to ensure that your system is able to improve the effectiveness of your organisation and to provide credible leadership that will take into account your organisation’s responsibility toward its stakeholders and society at large.

SR integration offers no specific model to be taken as standard by each business sector or by each company. However, in order to develop sustainably you need to have an honest understanding of your current reality to effectively inform your strategic objectives and the required decisions and activities to get there in a responsible way.

In order for an enterprise to correctly and effectively implement SR, it should take into account (among other things) the character of its activities, the particulars of both its business sector and the socio-economic environment in which it operates, and general trends in society. Following this, the enterprise needs to define the areas of SR and the stakeholders it will prioritise.

Once you have completed every step of your SR integration, communicate it to the rest of the world. You can do this on your website, in local newspapers or to customers in a sales situation. Be genuine, balanced and transparent in doing so.

### 6.2 STEPS TO INTEGRATE SOCIAL RESPONSIBILITY INTO YOUR CORE BUSINESS

**Model Overview:** The integration model involves making social responsibility an important dimension of existing organisational strategies, systems, practices and processes – and ensuring that it strengthens all of these.

**Model Objective:** To enable SMEs to integrate SR into their daily business practice.

**The 4 key steps of the model are:**

1. Understanding the strategic context, area of impact and relevance of your organisation’s social responsibility,
2. Clarifying the strategic objectives of your organisation, integrating SR principles,
3. Identifying obstacles and opportunities to achieving your organisation’s strategic objectives,
4. Integrating SR throughout the organisation (plans, procedures, systems, organisational culture, external initiatives, etc.) and its sphere of influence.

At every step of the process, dialogue with the main groups of stakeholders will lead the enterprise to sustainably define the action plan to be adopted.
### Understanding the strategic context, area of impact and relevance of your organisation’s social responsibility.

- **Clarifying the strategic objectives of your organisation, integrating SR principles.**

### Identifying obstacles and opportunities to achieving your organisation’s strategic objectives.

- **Integrating SR throughout the organisation (plans, procedures, systems, organisational culture, external initiatives, etc.) and its sphere of influence.**

<table>
<thead>
<tr>
<th>Steps</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>1.</strong></td>
<td><strong>Analyse the strategic context of your operations</strong> – if and where it could affect the social responsibility of your organisation.</td>
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<td></td>
<td><strong>List the full range of your activities and operations</strong>, and consider where they may impinge on the social responsibility of your organisation (workplace, market, community, environment).</td>
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<td></td>
<td><strong>Determine the relevance of core SR areas and issues.</strong> Establish concrete priorities (e.g. are of immediate concern to stakeholders, are in compliance with the law, etc.)</td>
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<td><strong>2.</strong></td>
<td><strong>Formally setting the direction</strong> – review the mission, vision, values, goals and strategy of your organisation, with SR in mind.</td>
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<td><strong>3.</strong></td>
<td><strong>Identify the risks/obstacles</strong> that could prevent you from reaching your objectives.</td>
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<td></td>
<td><strong>Identify the opportunities</strong> that could help you reach your objectives.</td>
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<td></td>
<td><strong>Raise awareness</strong> and, where necessary, build competency for SR throughout the organisation and its sphere of influence.</td>
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<td></td>
<td><strong>Build SR into the organisation’s systems and procedures</strong> (e.g. performance indicators to include SR).</td>
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Source: astoneco management, 2009
Figure 4. Model for SR integration

Source: astoneco management, 2009

SH – Stakeholders
D/A – Decisions/Activities
I – Inform; C – Consult; I – Involve; C – Collaborate; E – Empower

Opportunities
Risks / Obstacles

Step 1
Step 2
Step 3
Step 4
6.2.1 Step 1: Understand the strategic context, area of impact and relevance of your organisation’s social responsibility.

a. To understand the strategic context, it is useful to analyse how some of the key characteristics of your organisation relate to, and could affect, your organisation’s social responsibility. This analysis could include consideration of factors such as:

- the location in which you operate;
- the nature of the legal framework in this location (is there a strong legal framework that regulates many of the activities related to social responsibility, or not?);
- the social, environmental and economic characteristics of the areas of operation;
- your type, purpose and magnitude of your operations;
- the characteristics of your workforce;
- the perceptions of the industry or sector in which you participate;
- the activities related to social responsibility undertaken by or expected from these sectors.

b. To understand the area of impact of your organisation, you can consider making a list with all your activities and operations and analyse their specific impact on society – if and where these could affect your organisation’s social responsibility. To start the identification process, you can:

- list the full range of your activities;
- consider where they may impinge on the social responsibility of your organisation,
- determine which core SR areas and issues might arise when you or others within your value chain carry out these activities,
- examine the range of ways in which your decisions and activities can cause impacts on sustainable development and the welfare of society,
- identify the societal expectations of responsible behaviour surrounding these impacts,
- anticipate how members of the public might misinterpret your activities or those of your partners.

Once you have identified and examined your organisation’s specific area of impact (see core areas and issues – section 5), you should determine the relevance of each aspect, and develop a set of criteria to prioritise them.

c. Possible considerations to determine the relevance of an issue may include:

- the effects of taking or of failing to take action on the issue,
- the level of stakeholder concern about the issue,
- the potential benefits compared to the resources and effort that would have to be expended on any action,
- the impact of the issue on sustainable development and the welfare of society.
Having determined your relevant issues, you should next determine priorities for action based on your progress, and plan to integrate social responsibility into your organisation for your daily practices and implementation of activities. You may often find it valuable to involve subsets of your stakeholders in the identification of priorities.

**Priority may then be given to issues and actions that:**

- relate to compliance with law,
- are of immediate concern to stakeholders,
- have significant cost implications if not addressed quickly,
- relate to practices that could endanger life,
- relate to potential violations of human rights,
- will need a long time to become fully effective,
- can be implemented quickly and easily and will be useful in increasing awareness of and motivation for action on social responsibility within your organisation.

In addition to setting priorities for immediate action, you should establish priorities for consideration of core SR areas and issues that are relevant to activities that you expect to carry out in the future.

### 6.2.2 Step 2: Clarify the strategic objectives of your organisation, integrating SR principles.

**Set the direction of your organisation towards social responsibility!** The statements and actions of your organisation’s leadership — your aspirations (vision), your purpose (mission), and your values — set the direction for your organisation and form your strategic management framework. This must reflect your social responsibility in order for it to become integrated into the way your business functions.

Some of the ways you can implement this strategic framework are as follows:

- reviewing your vision and mission statements and actions to determine if they are consistent with a socially responsible approach, and whether they would benefit from a more specific reference to social responsibility,
- including social responsibility as a key element of your organisation’s strategy, with implications for all aspects of the way it is run and operates,
- building clarity at the management level about the necessity and implications of building social responsibility into the organisation’s systems and procedures,
- seeking input from stakeholders.

### 6.2.3 Step 3: Identify obstacles and opportunities to achieve your organisation’s strategic objectives.

Having clarified the business objectives (with social responsibility in mind), the next issues you might want to consider are: (a) what are the risks / obstacles that might prevent you from reaching your objectives?; and (b) which are the opportunities that could help you reach your objectives?
Risk identification means evaluating the probability and / or the impact of unfavourable events. Any event that could compromise your business objectives to any extent can be considered a risk. For example, risks can come from financial uncertainty, potential failures of projects (in any stage – design, implementation, etc.), legal requirements, credit risks, accidents, conflicts with stakeholders, etc.

On the other hand, an opportunity represents a combination of favourable circumstances that can move you closer to your business objectives or chances for sustainable growth and business value creation.

After the identification stage, the next step should consist of the minimisation and control of the probability and/or impact of each risk and the maximisation of opportunities. All opportunities and risks have their own sets of stakeholders. Therefore, to efficiently manage opportunities and risks, stakeholders need to be identified and engaged at the appropriate level (please see section 4.2.3).

6.2.4 Step 4: Integrate SR throughout the organisation (plans, procedures, systems, organisational culture, external initiatives, etc.) and its sphere of influence.

a. Raise awareness and, where necessary, build competency for social responsibility throughout the organisation and its sphere of influence.

The integration of social responsibility into every aspect of your organisation involves commitment and understanding by employees at all levels; efforts should therefore be made to provide them with a thorough understanding of the policies, core areas, issues, principles, considerations, expectations and resultant actions of your enterprise’s SR. Fully understanding the benefits of social responsibility for your organisation plays a major role in gaining commitment from each employee.

Not all employees or sections of your organisation will always agree on how best to adopt socially responsible practices. Indeed, no single formula for bringing about change is applicable to all organisations or their sections. Creating a uniformly strong culture of social responsibility within your organisation may take a substantial amount of time, but proceeding systematically and building from existing values and cultures will ultimately create the desired outcomes. As mentioned in the first part of this guidebook, this process is very often easier for SMEs than it is for larger companies; this is due on one hand to the size of the operations, and on the other hand to embedding a set of personal values connected to social responsibility into the vision and mission of the business. Maximising existing values and practices may involve strengthening or developing skills in some areas of activity such as stakeholder engagement, and in improving knowledge and understanding of the application of core SR areas, for which specific training may be useful.

b. Building social responsibility into your organisation’s systems and procedures

The most important means of integrating social responsibility throughout your organisation lies in its governance – the system by which decisions are made and implemented. When making decisions, you should consider their likely impact on others.
Specific short-term targets should be set to translate objectives into their practical application at each level of your organisation. The targets should be clear, specific, measurable, time-bound and realistic. An example of setting a specific target related to fair operating practices could be: ‘prepare and adopt (by specified dates) a policy of minimising disturbance from your vehicles’. If the achievement of such a target will involve a number of steps and several people or groups, it may be helpful to prepare an action plan that specifies exactly what will be done, by whom and by what deadline.

To monitor progress on integrating SR throughout your organisation, you should undertake periodic reviews and benchmarking, obtaining feedback from stakeholders.

It is important to recognise that the process of integrating social responsibility does not occur all at once or at the same pace for all core SR areas and issues. A plan for addressing some social responsibility issues in the short term and some over a period of time should be realistic and should take into account the capabilities of your organisation, the resources available and the priority of the issues.

In all four steps of the model – understanding, clarifying, identifying risks and opportunities and integrating SR – it is very important to report/communicate adequately, and respond to your stakeholders (through resolving problems, maximising opportunities, etc.) about aspects related to core SR areas and SR initiatives.

Communication should be consistent and timely, and addressed to all your employees, shareholders/investors, communities and other stakeholders. Simple, short, appropriately written and presented reports to inform stakeholders about your activities over the period since the previous report are often all it takes.

Some common characteristics of communication about social responsibility are:

**Clarity.** Information should be provided with due regard for the knowledge level of the people the communication is directed to. The language used and the manner in which the material is presented and organised have to be accessible to them, and take into account their cultural, social, educational and economic background.

**Accuracy.** The information should be factually correct and should provide sufficient detail to be useful and appropriate for its purpose.

**Balance.** If it is presenting positive information, it should not omit relevant negative information concerning the impact of your organisation’s activities.

**Relevance and completeness.** The information should include all relevant aspects for stakeholders.

**Timeliness.** Out-of-date information can be misleading. Information should be available well in advance of an activity being undertaken or a decision made.

**Comparative,** where appropriate. Information should be provided that will make it possible to compare your organisation’s impact and actions over time with those of similar peer groups.

Of course, you are encouraged to consult your stakeholders on what would be the best form for the communication/reporting. Its scope and complexity should be appropriate to the size and characteristics of the operations/activities considered (it can be a project, an annual report, etc.). You can start from small reports
concerned with key activities that are easy to measure and which can be extended with time, as you add to your experience.

It is advised that you continuously take into consideration stakeholder reactions and concerns, new expectations, situation dynamics and new opportunities in order to improve your organisation’s social responsibility, making sure at each step that these are all in line with your core business needs.
Although SMEs share enough characteristics to allow for a general guidance model for SR integration, we need to admit that not all SMEs are the same. The fact that SMEs are an extremely diverse group (size, history, sector, ownership, and so on) calls for a range of different approaches and strategies to encourage the uptake of SR. Adapting the message and the nature of support to the different kinds of SME will be key to success. Amongst other things, tailor-made approaches are needed for small and micro-enterprises in comparison to medium-sized enterprises. This aspect will be tackled by next stages of the programme “Strengthening the capacity of Romanian companies to develop social partnerships”, through specific schemes of assistance implemented in a range of SMEs and consequent guidebooks.

The business case for SR in SMEs entails that social responsibility should be triggered not only internally, but also through external motivation and reward systems. This is to say that an appropriate enabling environment should exist to reward SMEs for more socially and environmentally responsible behaviour. Amongst other things, this means addressing the role of consumers, of public procurement and of large company buyers in the supply-chain: more social responsibility should be requested, while being sensitive to SMEs capacities to deliver it so to avoid unintentionally discriminating against them.

This guidebook was concerned with strengthening the capacity of Romanian SMEs to integrate social responsibility in their core business operations. However, if we go back a step to contemplate the whole picture, one cannot call for a greater uptake of SR amongst SMEs without also drawing attention to government responsibility, the financial sector’s responsibility, etc. in terms of creating the right framework conditions to allow enterprises to grow and to create more and better jobs.

Moreover, all three sectors of society – business, nonprofits, and government – cannot act independently of each other when it comes to genuinely promoting social responsibility. Therefore, the multi-stakeholder social responsibility is one subject further research and guidance is encouraged to address.
8. PRIMARY REFERENCES

ISO26000 Guidance on Social Responsibility – International Standard, November 2010,
Communication from the Commission to the European Parliament, the Council, The European Economic
and Social Committee and the Committee of the Regions: A renewed EU strategy 2011-14 for Corporate
Social Responsibility
AA1000 Stakeholder Engagement Standard, Final Draft, 2011
UN Global Compact – 10 Principles, 2004
OECD Principles of Corporate Governance, 2004
Global Reporting Initiative Sustainability Reporting Guidelines Version 3 (GRI3),
2006 (latest update GRI3.1 2011)
9. COMPANIES INVOLVED IN THE STUDY AND IN CREATING THE EXAMPLES

A&D Pharma
Cristina Horia
Executive Director Sensiblu Foundation
Sensiblu Foundation was founded in 2002, by the initiative of A&D with the aim of actively supporting people in difficulty. Sensiblu Foundation is one of the ways through which the company is involved in the community.

Adrem Invest
Cornel Bodea
Vice-president
Aurora Zanfir
Marketing Specialist
Andrada Georgescu
Marketing Specialist
Adrem Invest is a company that specialises in industrial engineering. It was founded in 1992. Its areas of expertise include industrial automation, vacuum-based technologies / low pressure techniques, and energy efficient projects / green energy.

Alb Violet | Dan Botez | General Manager
Alb Violet is a SME specialising in the distribution of a wide range of products for interior and exterior design.

Asociatia de Relatii Comunitare (ARC) | Ioana Szatmari | Program Coordinator – Business sector
Asociatia de Relatii Comunitare is a non-governmental organisation operating since 1992 with the objective of mobilising resources from Romanian communities.

Carpatcement | Bogdan Arnautu | Communication Manager
Carpatcement Holding S.A. is one of the most important cement production companies in Romania. The company was founded in 2004 by the German group Heidelberg Cement, through the merger of the management company Carpatcement Romania SRL and the cement factories that it held: Bicaz, Deva and Fieni.

Coca-Cola Hellenic | Laura Sgârcitu | Community Programs Specialist
Coca-Cola Hellenic is one of the world’s largest bottling companies and distributors of Coca-Cola Company products, and the largest such company in Europe.

Fundatia Alaturi de Voi | Mihaela Munteanu | Communication and Development Manager
Fundatia Alaturi de Voi is a non-governmental organisation, established in March 2002 by Holt International Children’s Services with USAID financing. ADV took over the staff and the programmes on HIV, developed in Romania by Holt since 1992.

Fundatia Bethany | Diana Păius | Area Manager – Iasi
and Codruta Stoian | Area Manager - Timis
Fundatia Serviciilor Sociale Bethany, a non-governmental organisation, works to improve the quality of life
of vulnerable groups, especially children and families, offering social services and promoting professional practice in social assistance.

**Fundatia Comunitara Cluj** I Simona Serban I Executive Manager
Fundatia Comunitara Cluj Voi is a non-governmental organisation which acts as a local financer and identifies, promotes and finances initiatives and projects that contribute to local development and equal opportunities for people in the Cluj area.

**Habitat for Humanity România** I Viorel Ofiterescu I Manager – Craiova
Habitat for Humanity is a non-profit Christian movement that builds and rehabilitates homes for vulnerable families.
The NGO is active in Romania through national programmes and Habitat affiliated organisations from Behiu, Cluj, Piteeti, Radauti, Craiova, Comanesti and Cumpana.

**Lafarge** I Camelia Savoiu I Communications & Public Affairs Director
Lafarge Group is world leader in the field of construction materials – cement, aggregates and concrete. It has been present on the Romanian market since 1997.

**Lafor** I Adrian Laza I General Manager
Lafor is a company that produces massive wood panels, floors, interior stairs, wood furniture, and beech, sycamore maple tree, and oak tree timber.

**Maguay** I Pavel Pughin I General Manager
Maguay is an IT company – one of the most important system integration companies on the Romanian market and the most important Romanian constructor of calculus systems (own brand): servers, desktop and mobile stations.

**Mai Mult Verde** I Doru Mitrana I Executive Manager
Mai Multe Verde is a non-governmental organisation. Its mission is to build a new culture of environmental volunteering through the development of an active volunteering community that can produce sustainable changes in Romania’s environment.

**The Ministry of Labour, Family and Social Protection** I Serghei Mesaros
The Ministry of Labour, Family and Social Protection is organised and functions as a specialised body of the central public administration. It is subordinated to the Romanian Government, with juridical status, and it plays a role of synthesis and coordination for the Government’s policies and strategy implementation in the areas of labour, family, equal opportunities and social protection.

**Petrom** I Mona Nicolici I CSR & Communications Manager
Petrom is the largest oil and natural gas producer in South-East Europe, with activities in the following fields: Exploration and Production, Refining, Marketing, Natural Gas and Energy.
PointMax Solutions | Adrian Dobre | CEO
PointMax Solutions is an SME in the field of production and creation of promotional products, with a focus on printing, creation, printing consultancy, and Below The Line (BTL) activities.

Provident Financial | Silvia Mihalache | Communication and External Relations Manager
Romina Rosu | Senior Corporate Affairs Officer
Provident Financial România is a non-banking financial company, specialised in the provision of small short-term loans. The company is part of the British group International Personal Finance (IPF), an international leader in the provision of home loans.

RACORDEX | Viorel Gafita | Technical Director
Crina Gafita | Project Manager
RACORDEX is an SME producing industrial rubber for technical applications.

ResponsabilitateSociala.ro | Dragos Dehelean | Manager Selenis and Coordinator ResponsabilitateSociala.ro
ResponsabilitateSociala.ro is the first online CSR portal in Romania, established in April 2006 to convince and help companies in Romania to invest in social development and in the development of the communities in which they operate.

Romanel Hardwood Factory | Romeo Savu | Director General
Romanel Hardwood Factory is a company active in the field of wood industrialisation, and is part of Romanel International Group.

Rompetrol | Oana Nastase | Communication and Corporate Affairs Director
Rompetrol NV. Group is a multinational oil company, with headquarters in Amsterdam, Netherlands, with operations in 12 countries and with the majority of operations based in France, Romania, Spain, and South-Eastern Europe. Rompetrol is involved in refining activities, marketing and trading, and in additional operations – exploration and production, oil services, EPCM, transport, etc.

Tehnoprod | Monica Dragoi | Export Director
Tehnoprod S.R.L. is a company with 100% Romanian private capital with activity on both Romanian and European markets since 1994. It produces tapestry furniture.

Transgaz | Elisabeta Ghidiu | Manager of the Department of Strategy and Corporate Management
TRANSGAZ S.A. is the technical operator of the national gas transportation system and is responsible for its functioning at adequate quality, safety, economic efficiency and environmental safety levels.

Uniunea Nationala a Patronatelor cu Capital Privat din România | Costel Olteanu | President

Ursus Breweries | Diana Klusch | Corporate Affairs Director
Ursus Breweries, part of the group SABMiller PLC, is one of the largest beer producers in Romania. Currently, Ursus Breweries holds three beer production facilities in Brasov, Buzau and Timisoara and a mini-
production facility in Cluj.

**Vodafone** | **Angela Galeta** | Corporate Responsibility Project Manager – Senior Regulatory, Legal and Corporate Affairs Dep.

*Vodafone is the biggest international mobile telecommunications group in the world with operations in 27 countries and networks in over 40 countries.*
### ANNEX 1: GOOD PRACTICE EXAMPLES FROM EUROPEAN SMEs

1. **“Eko-Expert”** is a small company in Finland that has developed a unique technology to reuse building insulation that would otherwise be dumped when buildings are renovated or pulled down. This technology results in an economic advantage for customers through savings in insulation expenses. So, for example, by renovating six apartment buildings, the company could realise savings of about € 35,000, resulting in cheaper prices for the residents in the buildings.

2. The German small kitchen producer **“Die Möbelmacher GmbH”** arranges cost free cookery courses for customers to familiarise them with both the firms’ kitchens and a health-conscious diet. The enterprise initiates and participates in various co-operations and partnerships. Once a year, regional producers come together for a “Day of the Region” to exchange experiences and inform others about their own sustainable business approach. As a result of these activities, Die Möbelmacher has achieved significant increases in turnover in recent years.

3. **“DEANTE Antczak Sp.J.”**, a medium-sized Polish wholesaler in the field of technical equipment, provides its customers with a guarantee for seven years - i.e. higher than those normally offered by competitors. Furthermore, clients are offered a continuous and efficient, free technical assistance and guarantee service. The company reaches new customers due to its image of quality and reliability, and has limited the issue of employee migration.

4. The small Austrian consulting company **“denkstatt GmbH”** provides its employees with free fruit and milk, and employees cook a healthy meal for all during their workweek. Furthermore, the enterprise offers facilities for “powernaps” (a short recreation sleep of 20 minutes). The working rooms contain many plants, and have a homelike, pleasant atmosphere.

5. The medium-sized Polish construction company **“MELBUD Sp. z o.o.”**, has an internal social fund to finance cultural, educational or sport activities for employees or Christmas vouchers. Outstanding members of staff can also take out loans that do not have to be fully re-paid. The employees have a feeling of professional stability and identify themselves with the company. This results in a better atmosphere, and a higher commitment to and engagement with work tasks.

6. The Romanian research company **“SC Icemenerg SA”** assigns 5% of its turnover to measures targeting improved working conditions, e.g. by investing in occupational health, training and social events (such as the provision of a recreation centre or a gym hall).

7. **“Stormberg AS”**, a small Norwegian wholesaler, recruits at least 25% of their employees from people who are disadvantaged in the labour market. Presently, almost 30% of the employees are former prisoners, school dropouts and people with substance abuse issues. The company benefits from a very loyal workforce, low personnel fluctuation and minimal absenteeism. Only four people have left the company since it was established in 1998.
8. The medium-sized Finnish jewellery producer “Kalevala Koru Oy” donates the profits of the jewellery series “Time of Africa” to a project helping girls to gain basic education in Ghana. The idea for the series came from the goldsmiths of Kalevala Koru who participated in a cultural exchange programme between the countries.

9. “LUMAG Sp. z o.o.”, a medium-sized Polish motor company, tries to manage all waste produced within its premises and collects, stores and processes its products after they have been removed from vehicles. The materials received from recycling can be used as raw materials for components used for the production of new brake system elements. Moreover, in the production processes asbestos has never been used and the formulae developed in the company’s own laboratory do not contain any heavy metals which could be a threat to the natural environment or vehicle users. They have succeeded in improving the local community’s opinion of the company and it is perceived in the region as a decent and prosperous enterprise.

Examples of SR good practice in SME
Source: “SR and Competitiveness - European SMEs’ Good Practice” 8
**ANNEX 2: ROMANIAN INITIATIVES ON SOCIAL RESPONSIBILITY**

**National initiatives addressing the concept of CSR/SR**

**Promoting CSR in SMEs**
Implemented from 2006 – 2008, the project aimed to develop and promote research in the field of CSR in order to improve the knowledge base of SMEs for developing initiatives in the field of CSR.

**Assistance bureaus for the promotion of social responsibility of enterprises**
Implemented from 2009 – 2011, the project aimed to develop the required capacity in regional offices of the CCI at a county level (42) to enable them to form a national network of assistance offices with the purpose of promoting the social responsibility of enterprises in Romania. The project was directed at business, civil society and other relevant actors.

**National initiatives addressing a component of CSR/SR**

**Women on board**
Implemented from 2006 – 2008, the project aimed to increase the level of participation of women in economic activities.

**Break gender stereotypes, give talent a chance**
Implemented from 2007 – 2008, the initiative was launched by the European Commission and implemented in Romania by CCI Romania. It came in support of private companies, especially SMEs, to raise awareness on the benefits of eliminating gender stereotypes in the labour market to improve competitiveness.

**Regional initiatives addressing the concept of CSR**

During 2009 – 2011, CCI Bucharest, as the beneficiary, implemented the initiative **PRO.CON Promoting the concept of social responsibility of enterprises**, a project aimed at training personnel in professional associations and chambers of commerce to promote the concept of social responsibility within the Romanian business environment and wider society.

During 2010, CCI Constanta implemented the project **Bussole CSR**, a platform and instrument to support enterprises and entrepreneurs to familiarise themselves with the concept of Corporate Social Responsibility by creating a network of enterprises, facilitating experience sharing and promoting best practice in SMEs.

**Regional initiatives addressing a component of CSR/SR**

CCI Bucharest has implemented projects such as:
- **EPOC – Energy for a cleaner city**
- Tex-EASTile: **Sustainable innovation for textiles** in South East Europe within the South East Europe Transnational Cooperation Program
- CRC-ECP: Regional consultancy and training centre for developing an entrepreneurial culture in the field of **eco-innovative technologies and good practice for energy and the environment**
**EMAS information centre** for the Bucharest region

**Innovative training for increasing the knowledge base** of the European polymer industry in relation to REACH (REACH is the European Community Regulation on chemicals and their safe use.)

**Social partners and civil society in the context of supporting employment and social inclusion** in the Bucharest – Ilfov region

EcoEmerge – **Developing emergent ecological markets**

In 2007, CCI Constanta implemented the project “ECO-AMBALAJ” to prevent and reduce the environmental impact of packaging and packaging waste.

Romanian Chamber of Commerce and Industry (CCI) Initiatives[^9]

ANNEX 3: SE MODEL

1. Strategic Objectives

2. Decisions / Activities

3. Stakeholders (Groups)

4. Level of Engagement
   - I: Inform
   - C: Consult
   - I: Include
   - C: Collaborate
   - E: Empower

5. Refine

source: astoneco management, 2009
### ANNEX 4: THE FIVE CAPITALS OF SUSTAINABLE DEVELOPMENT - A BASIS ON WHICH TO MEASURE AND MANAGE THE EFFECTIVENESS OF YOUR SOCIAL RESPONSIBILITY

<table>
<thead>
<tr>
<th>Capitals needing investment</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human</strong></td>
<td>Human capital refers to the health, well-being, knowledge, skills, competences, intellectual outputs, motivation and productivity potential, the capacity for relationships, work and skills embodied in individuals and derived from education, experience and training, etc, that facilitate the attainment of a sustainable society. All this not only contributes to a smoothly functioning and healthy society, but also improves the opportunities for economic development through a productive and participatory workforce. Ultimately, we all depend on the human capital within individuals to function.</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td>Consists of the social networks, human relationships, partnerships, co-operation, trust, shared values and understandings that support an efficient, cohesive society, and facilitate interaction and cooperation among its members. Social capital, like human capital, is related to human well being, but on a societal rather than individual level. Social capital is drawn upon to solve common problems. Internally, social capital takes the form of shared values, vision, mission, goals, trust, communication, and shared cultural norms which enable our people to build up team spirit and so enable us to operate as the sum of our individual parts. Externally, social capital and its associated structures help to create a climate of dialogue, within which to agree terms for our license to operate and through which both our projects and the wider functions of society are possible.</td>
</tr>
<tr>
<td><strong>Manufactured</strong></td>
<td>Manufactured (or “Human-made” or “Physical”) capital includes the infrastructure, buildings, products and services required to facilitate our activities. It includes roads, rail, water supply and treatment, houses, buildings, vehicles, machines, computers, internet, software, models, engineering, etc. Manufactured capital enables livelihood creation, organisation and community development, flexibility, innovation, efficient and effective resource use and health and environmental protection.</td>
</tr>
<tr>
<td><strong>Natural</strong></td>
<td>Natural capital comprises those aspects of nature that can be linked directly or indirectly to human welfare and which are valuable, vulnerable, scarce, fragile, or irreplaceable, or may yield a flow of valuable goods or services into the future.</td>
</tr>
</tbody>
</table>
In addition to traditional natural resources, such as trees, fish, animals, timber, water, grain, energy, fossil fuels and mineral resources, natural capital includes assets that are not easily valued monetarily, such as biodiversity, endangered species, climatic regulation and ecological services (e.g. air and water purification) performed by intact ecosystems.

These elements not only provide a basis for many of our livelihoods but also form the basis of our capacity to live healthily in our communities. All organisations and communities rely on natural capital to some degree and have an environmental impact; they consume energy and create waste. Ortac Resources and our stakeholders need to be aware of the limits of the natural environment, and operate within them.

<table>
<thead>
<tr>
<th>Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>This capital consists of those assets that exist in a form of currency. It reflects the productive power of the other types of capital and provides the financial means required to enable the development or protection of the other capitals.</td>
</tr>
</tbody>
</table>

This is the traditional primary measure of business performance and success (the “single bottom line”). It is what is most commonly used for reporting performance to shareholders, investors, regulators and government. Sustainable organisations and communities need, however, a clear understanding of how financial value is created, in particular its dependence on other forms of capital — and how to assign financial importance to them.
ANNEX 5: TABLE OF SOCIAL RESPONSIBILITY INDICATORS

This table helps to evaluate the current situation of the organisation, through a set of indicators referring to the main SR areas: workplace, marketplace, community and environment. It is inspired by the international standard ISO 26000.

*Note: You can choose to follow and record only fields applicable to your organisation.

<table>
<thead>
<tr>
<th>No.</th>
<th>Indicators (per annum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Number of actual meetings with different stakeholder groups based on stakeholder map</td>
</tr>
<tr>
<td>2</td>
<td>Number of signed confidentiality agreements</td>
</tr>
<tr>
<td>4</td>
<td>Number of press releases</td>
</tr>
<tr>
<td>5</td>
<td>Hits on website</td>
</tr>
<tr>
<td>6</td>
<td>Number of requests for Information</td>
</tr>
<tr>
<td>7</td>
<td>Number of legal claims</td>
</tr>
<tr>
<td>8</td>
<td>Number of staff trainings held</td>
</tr>
<tr>
<td>9</td>
<td>Number external trainings</td>
</tr>
<tr>
<td>10</td>
<td>How much money spent per employee on training?</td>
</tr>
<tr>
<td>11</td>
<td>Number of complaints of staff within company</td>
</tr>
<tr>
<td>12</td>
<td>How many law suits arise from the number of complaints of staff within company</td>
</tr>
<tr>
<td>13</td>
<td>Number of disabled workers, minority workers etc.</td>
</tr>
<tr>
<td>14</td>
<td>Comparison of minimum and average payment to company salaries</td>
</tr>
<tr>
<td>15</td>
<td>How many days of sick leave per employee per year</td>
</tr>
<tr>
<td>16</td>
<td>Number of discrimination claims</td>
</tr>
<tr>
<td>17</td>
<td>Number of workplace accidents</td>
</tr>
<tr>
<td>18</td>
<td>Number of controls through work inspectorate ended with a fine</td>
</tr>
<tr>
<td>19</td>
<td>What amount in fines on controls through work inspectorate</td>
</tr>
<tr>
<td>20</td>
<td>Number of leaves because of work injuries</td>
</tr>
<tr>
<td>21</td>
<td>Number of leave days because of work injuries</td>
</tr>
<tr>
<td>22</td>
<td>How much money for health and safety equipment per worker</td>
</tr>
<tr>
<td>23</td>
<td>Number of disciplinary cases</td>
</tr>
<tr>
<td>24</td>
<td>Number of unused days of leave carried per worker from one year to the next</td>
</tr>
<tr>
<td>25</td>
<td>Reported cases of non local hiring - management positions</td>
</tr>
<tr>
<td>26</td>
<td>Reported cases of non local hiring - non management positions</td>
</tr>
<tr>
<td>27</td>
<td>Report on number of days from receipt of bill until payment to supplier</td>
</tr>
<tr>
<td>28</td>
<td>Number of cash payments</td>
</tr>
<tr>
<td>29</td>
<td>Amounts of cash payments</td>
</tr>
<tr>
<td>30</td>
<td>How many contracts are tendered</td>
</tr>
<tr>
<td>31</td>
<td>How many contracts are untendered (percentage)</td>
</tr>
<tr>
<td>32</td>
<td>How many contracts are given on soul source basis (percentage)</td>
</tr>
<tr>
<td>33</td>
<td>Number of press conferences or themed meetings</td>
</tr>
<tr>
<td>34</td>
<td>Number of people making use of the service programme of community development</td>
</tr>
<tr>
<td>35</td>
<td>Sponsoring: How much do we give?</td>
</tr>
<tr>
<td>36</td>
<td>Donations: How much do we give?</td>
</tr>
<tr>
<td></td>
<td>Description</td>
</tr>
<tr>
<td>---</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>37</td>
<td>Concerning the ‘total direct energy use’, the total annual energy consumption, expressed in MWh or GJ</td>
</tr>
<tr>
<td>38</td>
<td>Concerning the ‘total renewable energy use’, the percentage of total annual consumption of energy (electricity and heat) produced by the organisation from renewable energy sources</td>
</tr>
<tr>
<td>39</td>
<td>Concerning the ‘total annual water consumption’, expressed in cubic meters</td>
</tr>
<tr>
<td>40</td>
<td>Concerning the ‘total annual generation of waste’, expressed in tonnes</td>
</tr>
<tr>
<td>41</td>
<td>Concerning the ‘total annual generation of hazardous waste’ expressed in kilograms or tonnes</td>
</tr>
<tr>
<td>42</td>
<td>Concerning the ‘use of land’, expressed in square m of built-up area</td>
</tr>
<tr>
<td>43</td>
<td>Concerning the ‘total annual emission of greenhouse gases’, including at least emissions of CO2, CH4, N2O, HFCs, PFCs and SF6, expressed in tonnes of CO2 equivalent</td>
</tr>
</tbody>
</table>