

# Drivers to the Corporate Social Responsibility in Romania: The Banking Challenge

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## Abstract

*The corporate social responsibility agenda has profoundly changed in the last decades in Romania, driven by the new optics of multinationals and their response to the local market. This paper provides a new insight in the CSR field of the banking sector, extending the narrow vision of the CSR implementation in Romania, by confronting the measures taken by the banks from the Romanian market with the financial group's perspective. The paper consists of a comparative analysis of BRD - Groupe Société Générale and the corresponding group, Société Générale, in order to complete the vision of strategic dependencies in a period of economic, monetary, territorial and political integration. The research use the coding process, identifying major strengths and tendencies of the CSR in Romania, composing a complex approach based on the group strategic imperatives, similarities and adjusted elements for a reconstruction of the CSR concept in the considered sector.*

**Key words:** corporate social responsibility, bank, financial group

**J.E.L. classification:** G21, M14

## 1. Introduction

The corporate social responsibility agenda within the Romanian landscape has experienced a continuous progress in the last years, even if the measurement tools of the CSR performance are underdeveloped and the reporting criteria are still in an emerging phase. Often defined as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (Commission of the European Communities, 2001, p. 6), the corporate social responsibility concept suggests a positive relationship between the economic, the social and the environmental dimensions, defined by Elkington as the „triple bottom line” theory (1997). Various research papers have focused on the drivers of the CSR current in Romania, the benefits and the development stage, admitting the key role of the multinationals for the CSR composition in Romania, but little attention was paid to the understanding of the real contribution of the groups to adjust the CSR programs to their subsidiary.

In an attempt to synthesize the CSR particularities in the Romanian banking sector, Joldeş, Belu and Iamandi emphasize the financial groups capacity to transfer the CSR practices to the local environment, concluding that „the responsible actions undertaken by the Romanian banks are in line with the ones of their European counterparts” (2008, p. 672). The present paper brings a new insight in the CSR analysis of the Romanian banking system, outlining both the similarities and the differences of the CSR strategies between BRD - Groupe Société Générale and the corresponding group, Société Générale. Thus, following the „triple bottom line” theory, BRD - Groupe Société Générale fulfill the economic performance through the market capitalization indicator, but also the social and environmental fields, grouping its efforts in the CSR direction.

Considering the CSR area, the major objective of this paper is to find out to what extent the bank that activate on the Romanian market is influenced by the parent group, trying to identify the most commonly used tools in this direction. On the other hand, this study case will highlight the CSR reporting practices, as a significant communication process to share the CSR information to

the stakeholders, providing also its efficiency for the corporate reputation if it's used as a marketing method. Comparing the bank at the national and international level will allow us to explain the CSR trend, reporting variances and transparency.

Moreover, the CSR trend is considered an efficient tool to increase the competitiveness of local or international corporations on the domestic market, a learning and embryonic stage to adjust the customers' response according to the established business objectives, even in an asymmetric CSR communication perspective. Filatotchev and Stahl provide various CSR approaches and governance reactions for MNCs, observing that those corporations that compete in the global marketplace „face a perennial dilemma: how to balance the need for global consistency in CSR approaches across various countries where they operate with the need to be sensitive to local stakeholder demands” (2015, p. 122). Although there are various universal social and environmental demands, this paper will trace how BRD - Groupe Société Générale responds to these expectations on the Romanian market, exploring in the same time the national context and the local constraints.

## **2. Methodology**

According to the data provided by the National Bank of Romania, the Romanian banking sector reported profit at the end of 2016, while the distribution of credit institutions with majority foreign capital by net assets highlights a performing position of BRD - Groupe Société Générale, totalizing 50,657.6 mil. lei (12.87%). The third position for this category, after Banca Comercială Română and Banca Transilvania suggests the importance of BRD - Groupe Société Générale for the national banking sector. On the other hand, the second criteria considered in the analysis was the trading value at the Bucharest Stock Exchange, also resuming the major power of Banca Transilvania and BRD - Groupe Société Générale S.A., included in the top ten companies by trading data for the period 25.11.2016 – 24.11.2017.

Thus, referring to the monthly bulletin october 2017 of the Bucharest Stock Exchange, BRD - Groupe Société Générale was on the top 15 by turnover (with a turnover of 62.915.561,58 RON and 5.069.427 traded shares) and on the top 15 by market capitalization (5,32% of the total capitalization). The option for a case study on BRD - Groupe Société Générale derived from the market capitalization criteria and the trading value at the Bucharest Stock Exchange, alongside with the international presence, as part of the group Société Générale. Thus, confronting the resulting data, it was obtained a comparative image of the CSR strategies at both national and international level, completed by the coding process through MAXQDA 12 of BRD - Groupe Société Générale official statements.

BRD - Groupe Société Générale S.A. was established in 1990 as an independent commercial bank with the Romanian state majority capital. Starting from march 1999, the French financial services organization, Société Générale, has acquired 51% of the social capital, while at 31.12.2015 the part owned by the group Société Générale increased at 60,17%. At 24.11.2017, the shares of BRD - Groupe Société Générale S.A. are traded at the main segment of the Bucharest Stock Exchange, category premium, being part of the indices BET, BETPlus, BET-TR, BET-XT-TR, ROTX, BET-BK and BET-XT.

## **3. The CSR pattern in the banking design: A comparative analysis**

This section provides a useful insight in the CSR practice for BRD - Groupe Société Générale S.A. and the established relationship with the corresponding group, Société Générale. First of all, in terms of CSR visibility, it can be noticed a greater openness at the international level than at the domestic market. Thus, while the financial group has a maximum level of visibility through a special section dedicated to the corporate social responsibility issues on the website, a chapter of responsibility in the annual report and a distinct CSR report, BRD - Groupe Société Générale S.A. meets only the first two criteria: CSR section on the website and in the annual report. The most powerful communication tool in the CSR field is a special CSR report that incorporates the vision of the bank's management regarding the responsible behavior, the dominant directions of CSR

activity, the targeted stakeholders with the proposed responsible actions for them or descriptions of particular CSR projects conducted by the bank.

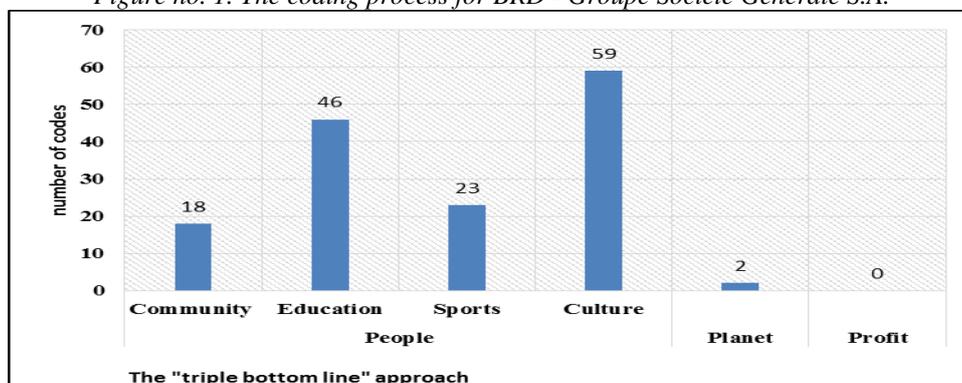
Société Générale group’s decisions supports the corporate social responsibility current, stating that its role as a responsible banker focuses on the ethical values, in order to achieve the public trust and to strengthen the reputation on the long run. From the very beginning, on the official website of Société Générale are mentioned the social and the environmental principles, following the „triple bottom line” hypothesis. The link with the ethics suggests the correspondence with the the Carroll’s pyramid, with four basic dimensions of responsibility: economic, legal, ethical and philanthropic (1979). The group history regarding the CSR activity is much more structured, starting in 2000 with Société Générale participation at the Wolfsberg Group, an association engaged in fighting against corruption issues and money laundering. While the financial group clearly outlines the steps in the CSR evolution, with the adhesion to the international principles, associations or conventions, the first mentions about the CSR projects of BRD - Groupe Société Générale S.A., on the local market, are in 2003.

Considering the Romanian context, BRD - Groupe Société Générale S.A. has not a particular CSR report, suggesting that the CSR disclosure practice is still in its infancy, without standardized methods of data communication. The main fields of CSR activity declared by the bank are: culture, education, sports and community. For the cultural field, BRD - Groupe Société Générale S.A. invests in the young generation, challenging its potential through performing arts or classical music. The education area is emphasized by the concern for a long-term development, strating from the active involvement in CSR projects that investigate in depth the educational system, continuing with the teaching staff training programs and extending the CSR efforts to the students.

The bank also promotes sports and the connection with the educational field, sustaining sporting events like BRD Năstase Țiriac Trophy or BRD Open Bucharest, but developing in the same time a new type of sports journalism. The last field, that refers to the community, was built on three main pillars: the volunteering actions of the employees, the strategic partnerships with the non-governmental sector and the mixture between education and community, in order to prevent the school dropout.

Due to the fact that there is a lack of transparency on the Romanian market regarding the CSR activity derived from the regulation gap, the option for coding data was in accordance with the potential to collect and process in a suitable manner the official statements of the bank. Using the qualitative analysis software MAXQDA 12, it was analyzed the content of the official website of BRD - Groupe Société Générale S.A. which refers to the corporate social responsibility. The research was constructed under the „triple bottom line” theory, dividing the in-vivo codes into three main categories: profit, people and planet. According to the Figure 1, the People dimension prevails, with 146 codes, while for the Planet dimension it’s assigned only two codes. Moreover, from the bank’s perspective, the profit dimension is not considered as part of the corporate social responsibility, even if the significant impact on the Romanian market it’s emphasized by total turnover, number of employees, total value of taxes or the market share.

Figure no. 1. The coding process for BRD - Groupe Société Générale S.A.



Source: author analysis, MAXQDA

The bank official position on the website is clearly related only to the People dimension, neglecting the role of profit or planet for a responsible citizenship. However, these elements are included in the Annual report 2015, being emphasized the entirely commitment of the bank for a clean environment, implementing intern waste management programs or reducing the CO2 emissions from the operational activity of the bank. A particular attention is given to the human resources management, the bank being involved in the career development of each employee, offering continuous support, training programs and a large set of benefits. It can be noticed that BRD - Groupe Société Générale S.A. dissociates the CSR actions by those related to the human resources, considering them a duty and not a voluntary part of its mission.

A number of 59 codes were attached to the cultural category, due to the active involvement of the bank in cultural events like Sibiu International Theatre Festival, Bucharest National Theatre Festival, "Ideo Ideis" National Young Theatre Festival, White Night of the Art Galleries, production projects, cultural workshops or art exhibitions (*No men's land*, *Cristian Paraschiv. Convulsion Ltd.*, *Tania Mouraud – OTNOT*, *Repeat After Me: Damir Očko*). At the same time, BRD - Groupe Société Générale S.A. supports the classic music through *SoNoRo Conac* project and starts a new innovative platform of cultural journalism for the young generation.

The educational sphere is much more divided into projects focused on the access to the educational systems for deprived children, strategic cooperation for young people and teachers, the volunteering actions of BRD employees that have fight against the school dropout, the personal and professional development through the innovation, technology and competitions. The bank promotes the link between education and sports, sustaining the performance, the leadership spirit and the authentic values. The coding process has outlined the call for emotions, being used words such as „to dream”, „love” or „passionate journey”, while the code „partnership” was frequently used in the CSR disclosure practice of the bank. On the other hand, the CSR actions for community create a sustainable mechanism between employees, clients, other partners and society, with a special focus on the young people, social NGOs and internal donations for social causes.

In comparison, the CSR strategy of Société Générale is founded on the three main pillars of the „triple bottom line” approach (social – economic – environmental), as indicated by Frédéric Oudéa, Chief Executive Officer, at the beginning of the CSR description from the website. Thus, it is emphasized the key role that the bank plays in supporting and financing the economy, being also sensitive to the economic impact. Another difference between the group and the local bank is based on the number of formalized principles, directives or standards to which Société Générale has joined: E&S General Principles, Equator Principles, the United Nations Global Compact, the United Nations Environment Programme Finance Initiative, the Joint Declaration initiated by Transparency International France for transparent and honest lobbying, the Green Bond Principles, the Universal Declaration of Human Rights, sector policies and other international documents. Moreover, the group clearly defines its stakeholders and measure their satisfaction: customers, shareholders and investors, the media, rating agencies, civil society, employees, suppliers, regulatory bodies and supervisors.

The disclosure practice is more advanced at the group's level, being published the 2016-2017 Corporate Social Responsibility Report, structured as follows: commitments, challenges and ambition, corporate responsibility governance, implementing responsible financing, the CSR actions attached to the climate issues, the solidarity and commitment of the financial group and the image of the group as a responsible employer. While the vision of the BRD - Groupe Société Générale S.A. is more narrow regarding the human resources place on the CSR agenda, the group's perspective is completely different, aiming to respond to the employees expectations by fostering their engagement with the bank's values and including this objective into the CSR priorities. According to the data provided by the Group in the CSR Report 2016-2017, 84% of the total employees of Société Générale were trained in 2016, finishing at least one training module. On the other hand, the group offers to its employees the necessary tools to adapt to the group's digital transition by designing strategic workforce plans and ensuring transparent evaluation measures. A similar approach for both the bank and the financial group can be noticed regarding the balance between the worklife and the family life.

While BRD - Groupe Société Générale S.A. focuses most on the People direction, the CSR report of Société Générale reveals the group's prior commitment to the environmental field, in the context of the climate change and the ecological challenges. The group's concern towards this priority takes the form of a climate strategy, the energy sector financing and green funding. Both the bank and the group apply the resources management in order to reduce the carbon footprint, business travel, the energy, water or paper consumption by implementing internal policies or other measures that promote the circular economy.

But the most striking difference remains the adapted services of the group for its customer's needs, making them accessible for all clients, including those with serious health risk or in a state of dependency. Thus, the group focuses more on identifying the responsible solutions for the over-indebted customers, identifying the most suitable microfinance schemes, while the CSR actions in the educational field are more assigned to the financial education area. It can not be neglected the financial instruments dedicated to the SMEs, NGOs or for public interest investments, which are more visible in the case of the group. However, BRD - Groupe Société Générale S.A. is in line with the CSR programs of Société Générale dedicated to the culture, sports, partnerships and employee's volunteering, designing its responsible events in partnership with several key organisations and institutions.

#### 4. Conclusions

Developing the CSR understanding on the Romanian banking sector after the model of the international practice has many advantages, leading to a transition stage of the CSR process that follows the directive lines of the group. The present study case supports the idea of a direct link between the CSR activity of BRD - Groupe Société Générale S.A. and the corresponding financial group, Société Générale, as a driver of corporate social responsibility on the Romanian market. The in-depth analysis confirms the assumption of a CSR phenomenon related to the „triple bottom line” theory, which is more remarkable at the group level. Even if BRD - Groupe Société Générale S.A. sustains such pillars, they are not perceived as part of corporate social responsibility, being reflected as a hybrid form of CSR, more adjusted to the domestic market. Thus, the responsible actions of the bank are directed mainly on the People dimension, through charity, sponsorship programs or strategic partnerships with the NGOs. At the moment, the situation in Romania is unstable in terms of responsible behavior, being sustained the young and vulnerable people, sports, education, culture and arts. On the other hand, the strategy of Société Générale is much more connected with the sense of the term „responsibility”, conducting to responsible financing methods, environmental concern or commitment to the international sustainability principles. In order to build a stable CSR framework on the Romanian environment, it must be designed an efficient model based on the group's values, being neglected the marketing objectives or those concerning only to the organisational image.

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