

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES OF BUSINESS ORGANIZATIONS IN BULGARIA

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Abstract

This article presents the results of a survey of corporate social responsibility activities, undertaken by a group of business entities in Bulgaria in the context of great political, economical and cultural changes that the country has been passing through from 1990 up to date, and that affected the organizational behaviour of locally operating companies, as well as the beliefs, values and underlying assumptions of the individuals, working there. Environmental factors, influencing the initiated corporate social responsibility activities, and potential reasons of undertaking corporate social responsibility initiatives by local managers are identified and analyzed. The concrete survey seeks the reasons for initiation of company philanthropic programs, the preferred spending destinations for the companies in their philanthropic undertakings, the constituencies and considerations of greatest importance for business entities in this sphere, and an appraisal of the effectiveness of the philanthropic programs, started by the companies.

Keywords: corporate social responsibility, CSR, corporate philanthropy, Bulgarian companies, responsible business, corporate social involvement.

JEL classification: M14, D64

1. SURVEY ACTUALITY

Corporate Social Responsibility. Corporate philanthropy. Responsible Entrepreneurship. Corporate Social Responsibility for small and medium-sized enterprises. Responsible Business. Corporate Social Involvement. Responsible Business Conduct. These are different labels of a contemporary economical term, associated with achieving continuous and sustainable trends of business success by many leading organizations from the developed economies. Since Bulgaria became a member of the European Union in 2007, the definition of the European Commission comes of greatest importance, stating that Corporate Social Responsibility (CSR) is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. Companies are expected to raise the standards of social development, environmental protection and respect of fundamental rights and embrace open governance, reconciling interests of various stakeholders in an overall approach of quality and sustaina-

bility by taking on commitments which go beyond common regulatory and conventional requirements, which they would have to respect in any case [Green Paper 2001]. Even a communication from the Commission to the European Parliament, the Council and the Economic and Social Committee – Implementing the partnership for growth and jobs: making Europe a pole of excellence on corporate social responsibility [COM 2006, 136 final] CSR is associated with globalization, competitiveness and sustainability and is chosen as “a model for European society, based on equal opportunities, high quality of life, social inclusion and a healthy environment in the face of global competition”. All the definitions, provided by the European Union in the form of regulations, directives and recommendations seek to support certain way in thinking, discipline in actions and behaviours among the managers, boosting the competitiveness of local companies.

Scientific literature provides a variety of definitions of CSR, revealing miscellaneous concepts, attitudes, and basic assumptions, proposed by different authors. These definitions constitute an interval, varying from total denial of any additional initiatives of business entities, but gaining profits to deep indulgence in additional activities, providing no direct and fast return on capital for the companies, and finally to achieving a competitive advantage and strengthening the image of the organizations, as follows:

- The famous Friedman’s point of view, proclaiming that CSR of a business entity is to increase its own earnings – “The business of business is business” [Friedman, 1970].
- Drucker’s move ahead. According to his opinion not only the financial results matter to a business, but also being a good corporate citizen, a good employer, and a good neighbour. In this way the management guru doesn’t underestimate the importance of the achieved financial results to a business. On the contrary he considers them a prime responsibility of the company which managers do not squander resources. On the other hand in his opinion the achieved financial results constitute the basis of an organization’s potential to accept full responsibility for everything it affects or interacts with – employees, environment, clients, etc. [Drucker, 1992].
- Competitiveness theory proponent, Michael Porter, expresses his opinion that in the long-term the economical and social goals of a business entity are intertwined and the first-sight contradiction between them remains on the surface in the short-run [Porter and Cramer, 2002]. In this perspective he sees a collision between the meanings of the terms CSR and corporate philanthropy.
- Porter’s new vision of CSR as a source of potential innovations and competitive advantage for the business entity [Porter and Kramer, 2006]. Some researchers [Bonini and Chênevert, 2008] share this opinion but use the term corporate philanthropy, instead. In this respect survey results confirm that job seekers prefer joining employers with clear ethical conduct and values, exerting positive impact on the society and that consumers are ready for paying higher prices for products, produced with a serious care for the ecological state of the environment, demonstrated by the company [Chadwick, 2005].
- The perspective of socially responsible clusters appears to define a way of responsible development of whole regions by improving the quality of life of local communities where a company operates by means of fair pricing, producing and distributing high-quality goods, delivering high-quality services, efficiently use of natural resources, partnering to local educational institutions, preserving the ecological conditions in the region, etc. [Zadek, 2006].

Because of enacted currency board (since 1998) and a negotiated pace of reforms in different spheres of the economy, Bulgaria developed more special relations with the World bank, which makes the CSR meaning, defined by this institution, of second greatest importance to the entities, operating in the country. The World Bank presents CSR as the commitment of business to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development". This means that business entities, adopting such behaviour, must develop and implement sustainable processes in order to balance the three pillars of sustainable development: economic growth, development of society and environment protection.

Studying the CSR practices in Bulgaria is even more interesting to the curious researcher because since 1990 up to date Bulgaria has been passing through great and dynamic political, economical and cultural changes that affected organizational behaviour of business entities, operating in the country, as well as beliefs, values and underlying assumptions of the individuals, working there, concerning even temporarily dominating concepts of CSR in managers' minds. That is why this article aims at surveying the underlying, influencing factors on CSR activities, undertaken by companies during the transition period with a final stress on snap shooting the current state, directions, scope and content of CSR practices among local companies, uncovering some reverberations in thinking of and acting upon CSR during the first years of Bulgaria's membership in the European union.

2. CHANGES IN BUSINESS ENVIRONMENT FACTORS AS INFLUENCERS OF CSR ACTIVITIES OF COMPANIES

Bulgaria's transition period provided managers and employees in the business organizations with a great experience in surviving different kinds of issues and challenges, stemming from the environment (see Figure no. 1).

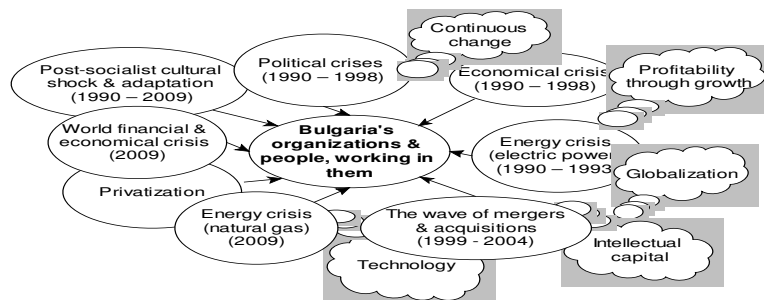


Figure no. 1 Hardships and challenges, confronting the managers in the business organizations

Some of them as internationalization and globalization, sources of profitability, intellectual capital, technology and continuous change are typical for the entities all over the world, although their manifestation may reveal certain nuances. But the rest of these are entirely due to the national context [Ulrich 1998, Dimitrov 2009].

Internationalization and globalization. At the beginning of 1990s Bulgaria's state-owned enterprises lost greater share of their markets because of the collapse of the communist block, leading to interruption of the established integration among the member countries - the Council of mutual economic assistance was dissolved. The majority of the leading companies at that time did not succeed in occupying new markets or launching innovative products and services to further their survival and development. Later, many of them were privatized or accrued substantial financial losses and went bankrupt. The new market-oriented policy required state's gradual withdrawing from active economic activities, thus leaving space for the initiatives of the emerging private sector. On the other hand, the new private business entities were at the stage of primitive accumulation of capital. The majority of the potential foreign investors from the developed countries preferred and some of them still prefer trading to establishing their production facilities in Bulgaria, because of low income per capita, the insufficient development of clusters and subcontractor chains, decrease in the number of the population due to economical emigration and aging, etc. A large number of foreign investors are registered in the shade of the off-shore zones, while others, registered in the developed economies, turn out to be possessed by mighty organizational formations from other developing (post-communist) countries. So, the cultural mix among the organizations, operating in Bulgaria, is very rich which to some degree may hamper the diffusion of progressive, generating added value management practices, usually used by the leading world-renowned companies, thus retarding country's modernization, respectively catching up with the life standard of the elder members of the European Union. So, it is not surprising that there exist miscellaneous concepts of CSR and its contents, considering the different strategic intentions, followed by all these business organizations.

Sources of profitability. The assured markets for products and services of the Bulgarian enterprises before 1990 provided unhealthy levels of tranquillity among the management bodies in reference to achieved competitiveness in terms of production costs, applied technology, distribution efforts and product/service differentiation. So, it was not surprising that many of these entities could not compete efficiently with their "western" rivals. Another reason of the irresponsible behaviour by the acting management bodies is the fact that Bulgarian economy avoided the energy crisis from 1970s as a part of a closed economical system which brought about a loss of competitive edge at organizational level and finally at national as a whole. On the other hand the field of competitive struggle in the leading economies was gradually changing. Business success acquired new metrics – organizational capabilities as speed, responsiveness, agility, learning capacity and employee competence. The leading companies deliberately turned their attitude to profitability upside down and began pursuing it through inventive growth strategies. Their successes originated from the ability to put a chosen strategy into action fast, manage the processes intelligently and efficiently, maximize employee contributions and engagement, create conditions of change without side (negative) effects. Busy with their micromanagement issues, Bulgarian management bodies simply did not behold this change which might be accepted as a reason why they did not use planned CSR activities as an instrument to achieve competitive advantage.

Intellectual capital. The new market conditions, affecting the personnel of the Bulgarian enterprises, required new and not wide-spread knowledge, skills and capabilities to correspond to adopted key new activities, such as putting priority on the clients' needs and necessities, undertaking distribution efforts, organizing import/export activities in new markets, motivating employees, advertising etc. The financial constraints, imposed by the lost orders by traditional partners, shaped managers' behaviour in the local organizations during

the following decade – abandoning and under developing relations with institutes and universities, not recognizing the crucial role of human resources in achieving an organizational sustainable competitive advantage (low levels of compensation, insufficient use of training programs, obscure performance management systems, etc.).

Technology. Bulgarian managers should understand, carefully choose, implement in time and efficiently use the applied technology because it affects where and how work gets done, and ultimately defines the added value, generated by a company. Scarcity of the resources requires abandoning the old-fashioned engineer's point of view, stating that an enterprise should be large and always incorporate the newest and the most expensive technology / equipment in its activities. Bright market-oriented ideas are important, not the flood of economic data.

Continuous change. The high degree of security and serenity in business and life from the socialist period dissolved soon after 1990. So, the local organizations had to acquire new capabilities: to learn fast and continuously, to innovate without a break and to consent to new strategic imperatives with less anxiety. Almost two decades of macro / micro reforms seem not enough for the majority of local companies to embrace the idea of continuous challenging the status quo, develop capabilities of beholding emerging trends faster than competitors, making timely decisions, and urgently looking for new ways of doing business.

Political crises (1990 – 1998) – this period was characterized by frequent changes of governments. In fact, no government succeeded in fulfilling its duties for a whole mandate of four years. At that time political assignments in the state-owned enterprises were dominating practice which decreased the quality of management in the entities. On the other hand many experienced managers were expected to start their own private company with the same purposes of business while being incumbents in the state-owned enterprises which now is defined by the law as a conflict of interests.

Economical crisis (1990 – 1998). Providing of jobs for the local community was one of the main responsibilities of business organizations till 1990. That is why most of them had excessive number of personnel. Bearing in mind the decreased sales in the 1990s, it was not surprising that high percent of unemployment appeared in the country. Lessened sales revenues of many state-owned organizations led to diminished amount of paid taxes and dividends to the state. So, the state undertook spending cuts, regarding expenses, allocated to social support activities. On the other hand the management bodies of many state-owned enterprises ceased the traditional policy of donating important local projects as building bridges, stadiums and sports halls, etc. The new, popularized political message stated that every person should take care of himself and his family. Logically, the newly established private companies, desperately struggling to deploy their business activities on regional or national level, accepted this as limiting their responsibility to their owners and employees. In addition *the electric power crisis (1990 – 1993)*, owing to inaccurate prognostications of national industry's energy needs, created insurmountable obstacles to all local entities, irrespective of ownership, while the state increased its revenue by export of electricity to the neighbouring countries.

Privatization. After the local financial crisis from 1996/1997 the state decided to proceed with a forced privatization process, contracting different clauses with the new owners as investment programs, ecological programs and requirements, regarding the average number of hired personnel. The majority of the new owners of privatized organizations did not keep up with all the agreements, but the respective ministries and agencies did not bring a great number of them to court, may be afraid of ruining the entire economy. Other new

owners found legal ways of escaping from the clauses of the signed contracts with the Privatization agency, for example they split different activities of an acquired company into two or more entities and several months later fired a number of the workers from the newly established companies, in most of the cases varying around 50% of the current employees.

Post-socialist cultural shock & adaptation (1990 – 2009). The collapse of many leading local business organizations during at the beginning of the transition process changed the widespread concept of career. No one could expect to spend his/her whole professional life in one organization, climbing the hierarchical ladder, because many people simply outlived their employer companies, or were transferred to other uncongenial positions as a part of an undertaken restructuring processes, or were terminated to remain unemployed for long periods of time. Bulgarian economy did not restore the level of GDP per capita from 1989 till 2004. The state's withdrawal from economic activities came to be a difficult process and was not managed in the best way (It is easy to criticize other people's deeds in unfavourable, challenging and strange situations!), leading to high levels of corruption, nepotism, conflicts of interest, frequent and sometimes illogical changes in the enacted legislation, sluggish judiciary system. Individual's career development and his/her family's well-being transformed into prime interest for everyone, contributing to manifestations of selfishness that ruined a little bit the effectiveness of teamwork in the companies, respectively their relations with the stakeholders. The trade unions could not save the careers of their members, thus partially losing their reputation which contributed to emergence and domination of personalized and individualized "employer – employee" relation. Limited investment capacities of a substantial part of the new owners of business companies (including privatized ones) and employees' fear of losing acquired and sustained life standard gradually created a shared feeling that employer and employees in an organization "are in one boat". This helped them in surmounting and mutually accepting cultural differences in collaborating or partnering with people, professing miscellaneous values, beliefs, religions, etc., predetermining behaviours, attitudes, decision-making styles, approaches to completing tasks, etc.

The wave of mergers & acquisitions (1999 - 2004). Many owners of privatized companies did not hold the entities for long, but as a part of bigger business structures, optimizing their investment portfolios, they resold parts of their newly-acquired property, merged it with existing entities of their own, changed the sphere of business, etc. So, the main characteristic of successful company culture was integration with each new owner, accepting or at least learning to live with the owner's moods and emotions, expectations or even worldviews. Wilful creation of strong, innovative and entrepreneurial culture was delayed till the emergence of a new owner, intending to develop, not to drain, the acquired company. Survival came to be the primary task of personnel in such entities, focusing them on the core business competencies thus making the role of CSR irrelevant to management bodies.

Energy crisis (natural gas) (2009). This event, labelled as unexpected and unpredictable, confirmed that planning in all its spheres still is not considered an essential phase in the management process. The political insecurity and high inflation from the 1990s formed short prognostication horizon in the minds of local managers. These factors limited managers' attention to abiding the law and even accepting some of the regulations, directives and recommendations by the European Union bodies as threats to their businesses, respectively CSR efforts. The result was clear – some companies from the developed countries used this case as a legal opportunity to break off the contracted orders with Bulgarian partners at the beginning of the current crisis.

World financial & economical crisis (2009). This event found Bulgaria's exceeding 30% of the productivity levels of the European Union members and of course the lowest levels of compensation. Except the perfunctory explanations as low quality of management and unqualified workers, there exists a strong reason for this situation – the chosen transition model:

- *First*, some businessmen grew rich with a pace faster than the world-renowned leading companies, achieving unbelievable rates of profit for their companies, through pioneering in certain spheres or political lobbying, without adequately compensating their employees or assuming any responsibility for local communities.
- *Second*, other people received a restitution of their predecessors' land and property, nationalized 50 years ago.

So, it is not surprising that the shining, golden, motivating message of the old proverb “*work hard and you will succeed*” blurred a little. Strangely, while the public opinion in the developed countries required diminishing the managers' remuneration packages at the beginning of the crisis, the employer organizations in Bulgaria proposed decreases in workers' salaries/wages. Some local employers continue claiming that they can not find the appropriate workers for their companies and even receive permissions by The ministry of Labour and Social Policy to hire immigrants (Taiwanese, Vietnamese), although the positions does not require high qualification and local technical high schools supply the labour market with potential recruits every year.

3. LOCAL MANAGERS' REASONS OF UNDERTAKING CSR INITIATIVES

Surmounting the combined effect of the presented array of environmental developments placed local managers in miscellaneous contexts. So, the undertaking of any CSR activities by some of them is justified by different reasons, stemming from needed satiation of urgent necessities.

First, many managers posed the *issue of developing a shared concept of company's ultimate survival problem*, without breaking off their organization's perilous journey in a hostile environment [Dunn, 1990] So, boards officially justified the core mission, primary task, or reason of the continued existence of their companies that inevitably required maintenance of good relationships with the major stakeholders, not focusing their attention to one group at the expense of neglecting and even offending the others because managers' experiences (and firm culture theory) revealed that sooner or later following such strategy might ruin the business (see Figure no. 2). They learned the hard way – overt conflicts and passive resistance (low productivity), that the sole aim of making business profit can not create stable, predictable and lucrative relations and motivate other people's contribution, loyalty, satisfaction and engagement. In fact they needed a friendly community where to spend their life-time and money in safety. Gradually the managers become aware of their companies' latent (but important) functions, such as: provision of jobs in the community where the business is located; provision of economic resources to that community, in the form of goods and raw materials purchased; and the provision of managerial talent to be used in activities other than running the business, etc [Schein, 2004; Hughes, 2009]. Companies choose to act out their corporate values through CSR.

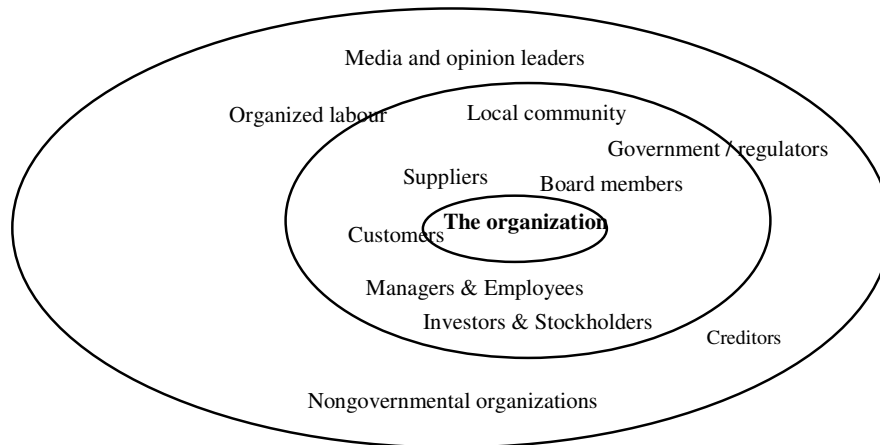


Figure no. 2 Stakeholder groups of the organization.

Second, the attitude of some managers to CSR shaped under the influence of dramatic personal life situation, such as kidnapping [Bosev 2008, 2009]. The pending issue of preserving their own lives and the lives of their families brought to surface or even modified individual's underlying assumptions, forming expressed values and forming priorities. These people discovered in their responses to such horrible experiences their unconscious, taken-for-granted beliefs, perceptions, thoughts and feelings that otherwise remained genuinely latent because no one really knew what response his/her personal culture would make to a severe crisis, even the kidnapers. In a criminal case, the kidnapers required as a part of the paid ransom for a businessman's life making a donation to a non-governmental organization (NGO), helping women with breast cancer. A weird way to contribute to CSR practice and theory, crafting a new term: *black CSR activity*.

Third, the managers' reactions to promoting CSR activities by different reputable institutions [Hughes, 2009; European Commission, 2007]:

- The EU's main role is to raise awareness of CSR, facilitate exchange of best practice across Europe, and stir up an initial discussion of topical CSR issues leading to further debate and action, by means of concrete activities in the form of organizing certain events, establishing committees, associations, etc., or sponsoring research in the field, enacting rules, such as: a European Multi-Stakeholder Forum for CSR, a High-Level Group of Member States' representatives, a Commission inter-service group on CSR, an Asia-Europe Meeting (ASEM), a study on how CSR can contribute to local employment development, a guide on social considerations in public procurement and funding for cross-European research and information-sharing on themes where project partners have a particular expertise and which fit in with the Commission's CSR agenda.
- *The initiatives of international organizations*, such as: United Nations global compact; Tripartite declaration of principles concerning multinational enterprises and social policy by the International labour organization; Guidelines for multinational enterprises by the

Organization for economic cooperation and development (OECD); OECD's Principles for corporate governance.

- *The initiatives of business-driven organizations*, such as: CSR Europe network and World business council for sustainable development.
- *The initiatives of NGO-driven organizations*, such as: Social platform network; Amnesty International Business Unit; Fédération Internationale des ligues des Droits de l'Homme (International federation of Human Rights organizations); Greenpeace; Human Rights Watch; International Alert; Transparency International.
- *Deliberate initiatives of the last two Bulgarian governments*, collaborating with many of the above mentioned organizations as well as with local ones - the Bulgarian Business Leaders Forum and the Bulgarian Charity Aid Foundations. The activities in the sphere of CSR include: organizing conferences and competitions with awards for the enterprises; joint participation in projects, developing a national sustainable development strategy in congruence with the European Union's renewed Sustainable Development Strategy and the renewed Lisbon Strategy; establishing a government advisory committee, etc.

Forth, adopting of modern management tools, governance, certification schemes and reporting in the sphere of CSR by local organizations, such as: Eco-Management and Audit Scheme; European Foundation for Quality Management; EU Eco-label for products and services; standards for corporate social responsibility - Social Accountability 8000 (SA8000) and ISO 26000; a UK certification scheme, called Ethical Trading Initiative; and Global Reporting Initiative.

Fifth, CSR activities are considered trendy by local managers, trying to follow the exemplary behaviour of their colleagues from the leading companies all over the developed countries, building company's image and reputation in the eyes of different constituencies (most often clients) which inevitably led to profitability increases. Recently public opinion directed to corporate governance, popularizing company ethics in the form of:

- Introducing and implementing official codes of conduct by companies, such as: Amnesty International's Human Rights Principles for Companies; and Clean Clothes Campaign Code of Labor Practices for the Apparel Industry.
- Introducing and working under the institutional umbrella of different social labels, such as: Fairtrade Labelling Organizations International; European Fair Trade Association; and European Sustainable and Responsible Investment Forum.

4. METHODOLOGY OF THE SURVEY

The survey was conducted through Internet. All targeted respondents were sent a solicitation letter to participate in this research by filling a questionnaire in electronic form received as an attachment on their business e-mails, and sending it back to my university e-mail - *one questionnaire per entity*. The people, managing or just working in local companies, were defined as *an object of scientific research* in their role of initiators with respect to potential CSR activities. The preliminary defined group of potential respondents included the members of the American chamber of commerce in Bulgaria, the Bulgarian chamber of commerce and industry and the Bulgarian industrial capital association. The traditionally low responding rate to internet surveys was to be counteracted by [Brownell, 2006; Supovitz, Sechrest, 1999]:

- Broadening the scope of targeted people in respect of occupied positions – senior managers, mid-level managers, supervisors and specialists, and
- Sparing the efforts of the usually busy people from different nationalities which required the preparation of solicitation letters and questionnaires in two languages: Bulgarian and English.

The components, processes and relations, uncovering the opinions of CSR among the managers and employees in private business entities in Bulgaria, were defined as *a subject of scientific research*. The survey was structured in a basic research question, supported by four investigative questions, presented by different number of *questions, shown on the distributed form* (q.o.f.). The following basic research question was posed: “What is the state of corporate philanthropy in Bulgaria?”. It was decomposed to four investigative questions:

- What are the reasons for initiation of company philanthropic programs? (q.o.f. 1 – 2)
- Which are the preferred spending destinations for the company in its philanthropic undertakings? (q.o.f. 3 – 5)
- What and/or who is of greatest importance for the company in this sphere? (q.o.f. 6 – 9)
- How do you appraise the effectiveness of the philanthropic programs, started by the company? (q.o.f. 10 – 15)

“*The state of corporate philanthropy*” – a McKinsey’s survey was used as a research model [Bonini, Chênevert, 2008]. From the hundreds of contacted companies just eight ones responded which imposed the following limitation of the survey: *the received results matter only to the group of surveyed companies*. The list of the interested local companies includes entities from different sectors of the economy, as follows: Mobiltel, Ernst & Young Bulgaria, Schenker, Stara Planina Hold, Regus Bulgaria, Raiffeisenbank Bulgaria, Holding Zagora and Kremikovtzi metallurgical combine.

5. SURVEY RESULTS

According to the inquired people company’s philanthropy programs try to reach certain business goals in addition to the social benefits, as follows: “enhance company reputation and/or company brand” (36.8%), “differentiate itself from competitors” (31.6%), “build employee and/or leadership capabilities and skills” (10.5%). Nobody has marked: “manage current or future risk”, “build knowledge about potential new markets or products” and “we do not try to reach any business goals with our company philanthropy programs”. One of the surveyed companies provided a new answer option, written down in the section “other”, as follows: “forceful philanthropy for the employees”. Considering the low compensation levels in most of the local organizations, it is not surprising to uncover some discontent because of undertaken “obligatory” initiatives in the CSR sphere, expressed by working people. At the same time their fear of job loss makes such approach to collecting donations very effective for the proposing people - most often the managers in the company (q.o.f. 1) (Figure no. 3.).

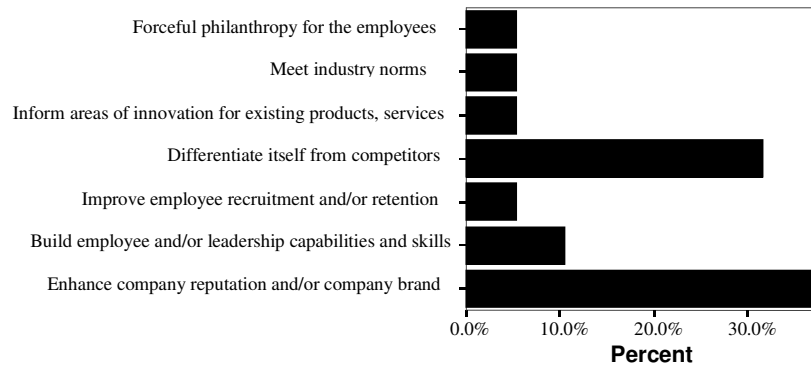


Figure no. 3 The business goals companies try to reach with their philanthropy programs in addition to the social benefits

The inquired people determine the levels of success in achieving the above mentioned goals, as follows: “very successful” (62.5%), “somewhat successful” (25%) and “not at all” (12.5%) – (q.o.f. 2).

80% of the respondents state that their company prefers addressing a broad mix of local issues with the implemented philanthropy programs to addressing the social and political issues that may largely affect shareholder value (q.o.f. 3) (Table no. 1). A graded response scale with seven alternatives is used here. The alternatives in the range of “1 – never ÷ 4 – neutral” are counted as a negative answer. The alternatives in the range of “5 ÷ 7 – always” are counted as a positive answer.

Table no. 1 - The company prefers addressing a broad mix of local issues with the implemented philanthropy programs to addressing the social and political issues that may largely affect shareholder value.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2	1	12.5	20.0
	6	3	37.5	60.0
	7 - always	1	12.5	100.0
	Total	5	62.5	100.0
Missing	Don't know	3	37.5	
Total		8	100.0	

According to the inquired people company’s philanthropy programs are currently addressing the following local issues (q.o.f. 4): “Culture, arts” (21.7%); “Environment” (17.4%); “Civic, public affairs” (17.4%); “Education” (13%); “Health, social services” (13%). Nobody has marked: “Community” and “Economic development”. Some of the respondents have provided additional issues to the proposed list, using the category “Other (please share your opinion)”, as follows: “To attract the attention to the necessity of accepting people’s differences and their inclusion in the company” (4.3%), “Natural disasters”

(4.3%) and “Children and teenagers under unfavourable conditions” (4.3%) (see Figure no. 4).

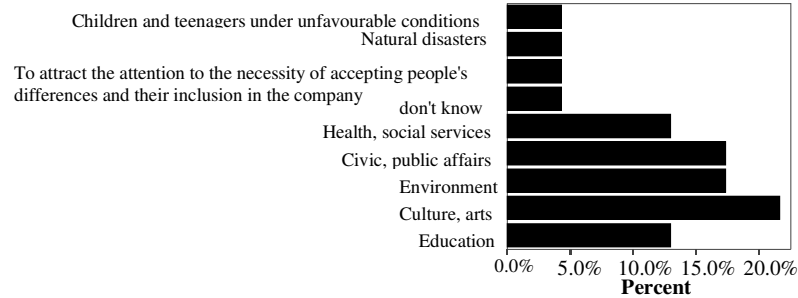


Figure no. 4 Local issues being addressed by company's philanthropy programs

The inquired people state that following social and political issues are likely to have the most impact, positive or negative, on shareholder value for companies in their industry over the next years, as follows (q.o.f. 5) (see Figure no. 5.): “Job losses from off-shoring” (14.8%); “Privacy, data security” (14.8%); “Environmental issues, including climate change” (11.1%); “Health care, other benefits for employees” (11.1%); “Workplace conditions, safety” (11.1%); “Political influence and/or political involvement of companies” (7.4%); “Demand for more investment in developing countries” (7.4%); “High level of senior-executive pay, other compensation” (7.4%); “Demand for healthier or safer products” (7.4%). Nobody has marked: “Affordable cost of products for poor consumers”, “Demand for more ethically produced products”, “Opposition to foreign investment and freer trade”, “Pension, retirement benefits”, “Human-rights standards”. Some of the respondents have provided additional issues to the proposed list, using the category “Other (please share your opinion)”, as follows: “The individual shareholders' incomes” (3.7%).

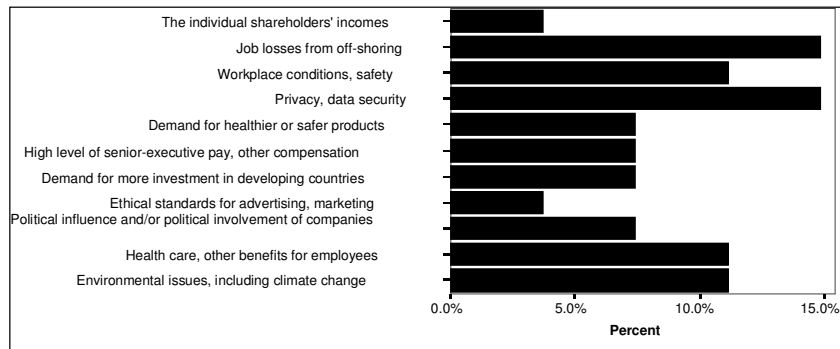


Figure no. 5 The social and political issues are likely to have the most impact, positive or negative, on shareholder value for companies in their industry over the next years

The expressed lack of interest in the “demand for more ethically produced products” is very disturbing in the context of the recent scandals, followed by some legislation changes

with respect to applied production processes and put in substitute ingredients in some products in the foodstuff industry without informing the consumers in the appropriate way.

The lack of interest in “Affordable cost of products for poor consumers” is due to the actual realization process of the optimum currency area theory in Bulgaria, bringing all its negativities, such as reductions of residents’ wealth and income, incurring of adjustment costs and emigration. For example the housing construction industry is predominantly oriented to foreign clients from the developed EU member states, USA and Russia because the majority of potential local clients are insolvent due to the low levels of compensation in the country.

The inquired people report the following list of stakeholders addressed by company’s philanthropy programs (q.o.f. 6) (see Table no. 2): “Local communities” (25%), “Nongovernmental organizations” (NGOs) (18.8%), “Media and opinion leaders” (18.8%), “Employees” (12.5%). Nobody has marked: “Organized labour”, “Suppliers”, “Competitors”, “Shareholders/investors”, “Board members/board of directors” and “No particular stakeholder”. A respondent has provided an additional stakeholder to the proposed list, using the category “Other (please share your opinion)”, as follows: “Pupils, students”.

Table no. 2

x_6 Frequencies: 6. Stakeholders addressed by your company's philanthropy programs: /You may mark more than one answer

		Responses		Percent of Cases
		N	Percent	
x_6	Local communities	4	25.0%	50.0%
onedimensional	a Employees	2	12.5%	25.0%
multi-response	Consumers	1	6.3%	12.5%
	Media and opinion leaders	3	18.8%	37.5%
	Governments / regulators	1	6.3%	12.5%
	Nongovernmental organizations (NGOs)	3	18.8%	37.5%
	don't know	1	6.3%	12.5%
	Pupils, students	1	6.3%	12.5%
Total		16	100.0%	200.0%

a. Dichotomy group tabulated at value 1.

The respondents define the stakeholders with greatest impact on way the company thinks about its role in society, as follows (q.o.f. 7) (see Table no. 3): “Board members/board of directors” (14.8%), “Local communities” (11.1%), “Employees” (11.1%), “Competitors” (11.1%), “Consumers” (11.1%), “Media and opinion leaders” (11.1%), “Governments/regulators” (11.1%). Nobody has marked: “Nongovernmental organizations (NGOs)” and “No particular stakeholder”. One respondent uses the option: “Don’t know”. So, it is evident that a discrepancy appears between the stakeholders addressed by company’s philanthropic programs and the stakeholders, considered to exercise the greatest impact on way the company thinks about its role in society.

Table no. 3

\$x_7 Frequencies: 7. Stakeholders with greatest impact on way the company thinks about its role in society. /You may mark more than one answer.

		Responses		Percent of Cases
		N	Percent	
x_7 onedimensional multi-response	a Local communities	3	11.1%	37.5%
	Employees	3	11.1%	37.5%
	Organized labor	1	3.7%	12.5%
	Consumers	3	11.1%	37.5%
	Suppliers	1	3.7%	12.5%
	Competitors	3	11.1%	37.5%
	Shareholders / investors	2	7.4%	25.0%
	Media and opinion leaders	3	11.1%	37.5%
	Governments / regulators	3	11.1%	37.5%
	Board members / board of directors	4	14.8%	50.0%
	don't know	1	3.7%	12.5%
Total		27	100.0%	337.5%

a. Dichotomy group tabulated at value 1.

The inquired people report the following list of considerations with the most weight in determining the focus of a company's philanthropy programs (q.o.f. 8) (see Figure no. 6.): "Highest potential for social impact" (16.1%), "Alignment with business needs" (12.9%), "High visibility contributing to brand strength" (12.9%), "Natural-disaster response" (12.9%), "Local community needs" (9.7%), "Company tradition" (9.7%), "Option to leverage existing company capabilities or assets" (9.7%). Nobody has marked: "Personal interests of CEO/board members", "Employee interest", "Interest of locally based suppliers and companies in related fields", "Cluster interest", "Shareholder pressure", "Infrastructure (physical, administrative, etc.)", "Competitors' giving", "Natural resources", "Local policies and incentives encouraging investment and sustained upgrading". This situation reveals the weaker position in defending interests of constituencies as employees and shareholders, and the underdeveloped cluster formations in the country.

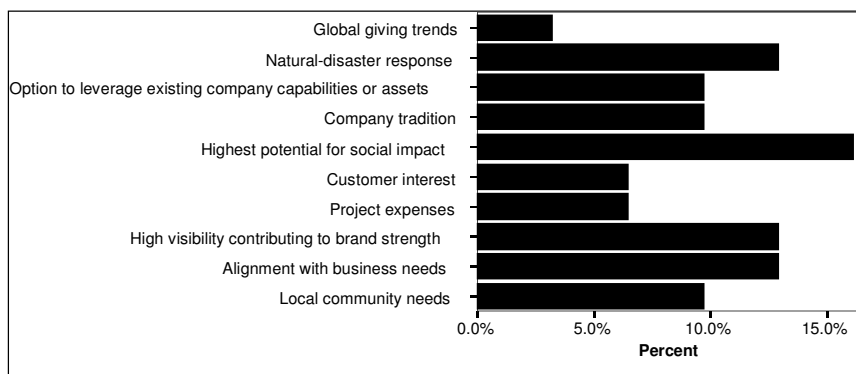


Figure no. 6 List of considerations with the most weight in determining the focus of a company's philanthropy programs

According to the inquired people the CEO is involved in the following areas of company philanthropy (q.o.f. 9) (see Figure no. 7.): “Making specific funding decisions” (27.8%), “Serving as public face; engaging in external communications” (22.2%), “Communicating internally” (11.1%), “Setting overall direction” (11.1%).

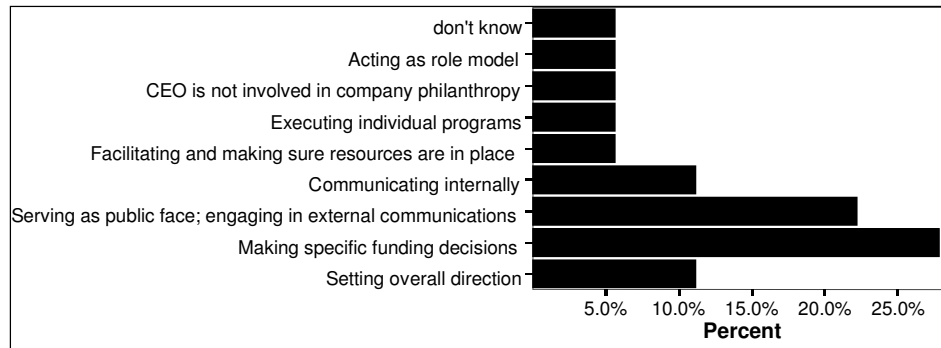


Figure no. 7 The CEO's areas of involvement in company philanthropy

71.4% of the respondents appraise the philanthropy programs of their companies as successful in meeting their social goals (q.o.f. 10) (see Table no. 4).

Table no. 4 - To what extent do the philanthropy programs of your company meet their social goals?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely	1	12.5	14.3	14.3
	Very	4	50.0	57.1	71.4
	Somewhat	1	12.5	14.3	85.7
	Slightly	1	12.5	14.3	100.0
	Total	7	87.5	100.0	
Missing	don't know	1	12.5		
Total		8	100.0		

50% of the respondents answer that the philanthropy programs of their company largely address the concerns of their preferred stakeholders (q.o.f. 11).

28.6% of the respondents state that the philanthropic programs address some or all of most relevant social, political issues, while another part of them (28.6%) express a different opinion: “Programs address some social, political issues, but not most relevant ones” (q.o.f. 12). The rest of them (42.9%) consider that the programs do not address most relevant social and political issues.

57.1% of the respondents expect their company's philanthropy programs to become increasingly global, either by trying to affect global issues or by operating in a larger number of countries, over the next years (q.o.f. 13). In fact all of them anticipate that their companies' philanthropy programs will try to affect more global issues (q.o.f. 15).

The respondents who do not expect their companies' philanthropy programs to become increasingly global, base their anticipation on two reasons (q.o.f. 14):

- They consider that the philanthropy programs of their employer organizations, do not need to operate globally (66.7%) and
- 33.3% of them state that there is no global thinking in the company.

The group of the survey respondents have the following *demographic characteristics* (q.o.f.16 - 19): a/ Gender: 37.5% - males and 62.5% - females; b/ Educational level: 25% - higher education: bachelor's degree, 75% - higher education: master's degree; c/ Age: 12.5% - 18 – 25 years, 37.5% - 26 – 35 years, 37.5% - 36 – 50 years, and 12.5% - 51 – 65 years; d/ Occupied position: 62,5% - mid-level managers, 37.5% - specialists.

6. CONCLUSIONS

The following conclusions provide answers of the already mentioned investigative questions:

- The surveyed companies do not utilize effectively the whole portfolio of proposed or other potential business goals that can be achieved by the undertaken CSR activities. This self-limiting behaviour in pursuing of goals by the undertaken philanthropic programs minimizes the organizational time, efforts and expenditures in the sphere, thus guaranteeing an easier achievement of desired results which is confirmed by the reported high levels of success.
- The surveyed companies prefer addressing local issues to social and political issues, still underestimating the local community and its economic development. But at the same time the responders confirm that their organizations keep an eye on some potential social and political issues that may affect the shareholder value of the companies. Of course the leading organizations from the developed countries monitor and address a greater variety of social and political issues in comparison to their Bulgarian partners and competitors.
- The observed discrepancy between the addressees of the philanthropic programs and the stakeholders with the greatest impact on way the company thinks about its role in society reveals that CSR activities still are not accepted and used as an efficient management instrument by the company boards in order to boost the overall organizational and even cluster competitiveness.
- The effectiveness of the philanthropic programs, started by the companies, is appraised as successful in meeting the preliminary defined goals, but less successful in addressing the concerns of the preferred stakeholders. Global issues are prophesied as a future spending destination of the philanthropy programs, undertaken by the companies.

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