

# **Social responsibility and corporate performance: potential and challenges in a global framework**

HABILITATION THESIS

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## **ABSTRACT**

The global business environment is becoming more competitive and challenging for firms nowadays. At the same time, firms themselves exercise a growing pressure and influence over the society by their economic, social and environmental outputs. Under these circumstances, new theories and practices emerged, aimed at bringing together firms and society. In this framework, the traditional stakeholders' theory and the corporate responsibility theory entered the academic debate on business cooperation and sustainable development, in accordance with the future generations' best interests. The concept of corporate social responsibility (CSR) was adopted at company's level as an integrative structure that comprises organizational shifts and integrates global tendencies. As a result, a new set of values, attitudes and behaviours have developed regarding the strategic choices that business face. The corporate social responsiveness reflects the actual approach each business takes in this respect, while corporate social performance is the expected result of this type of approach.

The present thesis brings together an important and relevant part of my research and contributions (articles and studies, working papers and the post-doctoral thesis) in the past eight years, since I received my PhD title, each of them representing a research endeavour that contributes to the topic of the Habilitation thesis - *Social responsibility and corporate performance: potential and challenges in a global framework*. The thesis is structured as follows: Part I presents the main contributions of the thesis author to the development of the research in the fields of sustainable development, corporate social responsibility and corporate performance, Part II outlines the author's most important academic achievements and proposals for career development in the years to come, and Part III lists the References to the thesis.

*The main contributions* I made to the development of research in the field of social responsibility and corporate responsibility, where the academic debate raised the questions of potential and challenges in a global framework, are the following:

(1) *Contributions to the research on the new paradigms of firm development: sustainable development, business ethics and corporate social responsibility*. This research direction was driven by my interest towards the relevance of the sustainable development framework for corporate operations, by the adoption of business ethics values and social responsibility practices. Sustainable development, which encompasses a process of economic growth that is consistent with the demands of ecological balance and human development, appears as a complementary route to the one made by the transition to human economy, based on the arguments that trust and credibility are essential to the good activity of free markets. Ethical business practices, on the other hand, represent the premise of trust and credibility, as the lack of ethics and good practice in corporate management is not allowed, risking to overshadow the remarkable contributions of the business environment to raising life standards and to emancipating individuals around

the world. From here to the now well-known concept of corporate social responsibility there is only one step to be made, as it describes the relationships between firms and the larger society – it is a strategic approach, given its two main characteristics: a prospective view and an extrovert management. Corporate social performance has a variety of positive and negative effects on the competitiveness of organizations, which are much broader than the simple measure of profitability that was the main object of earlier studies on corporate social performance.

(2) *Contributions to the research on the relationship between corporate social responsibility and financial performance.* Regarding the theoretical foundations of the relationship between social and financial performance, explanations found in the literature are structured around three categories, as follows: (i) explanations that suggest the existence of a linear relationship between social and financial performance, (ii) explanations that suggest the existence of a complex and non-linear relationships between social and financial performance, and (iii) explanations that argue for the absence of a stable link between social and financial performance. One contribution to the research in the field is represented by the study of the relevance of stock exchange indexes built on the principles of corporate social responsibility as tools to measure the financial performance of firms that adopt corporate social responsibility as a manner to do business. Another contribution is provided by the investigation of the relevance of screening criteria – positive versus negative - applied by social funds for the risk-return profile of their investment portfolios, based on the assumption of funds' performance reflecting the underlying results of included assets.

(3) *Contributions to the research on the challenges for corporate social responsibility at the global level.* Globalization is fuelling the need for new ways of understanding, managing and coping with culture differences. Corporations should take into account these differences when building their international strategies, even in regard to their business ethic and social responsibility goals. A relevant contribution made to the research, which continues the previous research direction, refers to the results of investigations on the integration of socially responsible investments (SRI) markets at regional and global levels, in the general framework of capital market integration. These results show that these markets are interdependent, although less than expected; however, since they are somehow segmented, managers of SRI funds may still benefit from the virtues of international diversification when deciding to extend their holdings of SRI assets abroad. The results are relevant for financial decision makers at market level: since these markets are integrated to some extent, the perils of shocks propagating from one country to the other cannot be ignored, which requires a consistent policy in the area of SRI markets regulation, so that contagion risks may be better mitigated.

An important aspect to be mentioned refers to the *interdisciplinary* character of my research on corporate social responsibility and the firm, as it covers topics that are related to the economics of the firm, management and finance. The multiple facets of implementing CSR at firm level are evident for all those involved in research in the field and cannot be ignored when correctly discussing CSR nowadays.

The research contributions presented in this thesis have been included in articles published in ISI Thomson indexed journals (Journal of Business, Economics and Management; Transformations in Business and Economics; Economic Computation and Economic Cybernetics Studies and Research), in studies published in journals indexed in international databases (Review of Economic and Business Studies, Studies in Business and Economics), as well as in papers presented at international conferences. At the same time, the post-doctoral thesis elaborated under the coordination of Ms. Mioara Iordan, PhD at the Romanian Academy (2011-2013) also tackled the topic of corporate social responsibility – the title of the

thesis is *Responsabilitatea corporativă și performanțele companiilor multinaționale* (engl. *Corporate responsibility and multinational companies' performance*). Also, I consider that my participation in the European-financed project in the FP7 framework, entitled VALUES (Value Analysis of Local Utilities of Enterprises from Social sector), a partnership between universities from France, Morocco and Romania, 2008 allowed me to consolidate and to deepen the knowledge on the topic.

Given the complexity of the global business environment and of the challenges ahead, I consider these research contributions only as the preamble of future research, which will consolidate my interest towards corporate performance, financial performance and global business. The second part of the thesis outlines the author's most important academic achievements and proposals for career development in the years to come. Briefly, in this part are presented the published works, the presentations delivered at various international conferences, as well as the international recognition of my academic activity in the form of citations in the works published by other academics and researchers. For what concerns the plans for the future, this part of the thesis presents my intentions to pursue the directions of research delineated here – of them, the most important are to continue and strengthen the publishing activity in international journals, to apply for a PhD advisor position in Economics at one of the renowned Romanian universities and for a Full professor position, and to develop a new course on the topic of Corporate Social Responsibility and Financial Performance to be taught in Master programs.