

Study on Corporate Social Responsibility of Cooperative Enterprises in the Republic of Moldova

Claudia TCACIUC, Ludmila HACINA, Guțu ALEXANDRIN
Cooperative-Commercial University of Moldova, Kishinev, MOLDOVA

claudia.tcaciuc@yahoo.com

ludmilahacina@mail.ru

gotu_sandu@mail.ru

Abstract: *The need for this study was required by the demands of researches on identifying the opportunities to evaluate the business activities of the cooperative sector. Consumer cooperatives in the Republic of Moldova, one of the oldest socio-economic systems, developed to a large extent in the socialist period, underwent a deep crisis in the transition period, and still managed to keep its coordinates in the country economic sector, which is generated inclusively by the nature and social objectives it pursues. In a way, the global cooperative movement anticipated the concept of Corporate Social Responsibility (CSR). Cooperative enterprises, in essence, are socially responsible, based on such cooperative values as: self-help, self-responsibility, impartiality, democracy, equality, solidarity, etc. But the study found that Moldovan co-operative enterprises promote step by step public awareness on CSR practices. The ultimate goal of research is to provide more solutions, tools and practices that would contribute to the design of cooperatives as socially responsible enterprises, improving the image and helping to increase the competitiveness of these enterprises.*

Keywords: *Corporate Social Responsibility (CSR), Cooperative enterprise, Cooperative value, Cooperative principle.*

Introduction

The Laboratory of scientific research in trade and consumer cooperation of the Cooperative-Commercial University of Moldova has recently initiated a study on corporate social responsibility of cooperative enterprises in the Republic of Moldova. The need for this study appeared by the demands of researches on identifying the opportunities to evaluate the business activities of the cooperative sector, as well as the fact that in recent years, the international stands have addressed the thesis that the cooperative form of organization is a business that puts social issues to the fore.

In 2007, at the 85th anniversary of International Day of Cooperatives, the message sent by the International Cooperative Alliance has approached the theme „Values and cooperative principles for social responsibility cooperative enterprise” in order to highlight the contribution that make the co-operator members as socially responsible citizens, working in the cooperatives around the world. [7] Although, most experts in the field claim that CSR is a relatively new concept both locally and globally [1, 2], the cooperative enterprises are those which have been promoting values of social impact more than a century.

1. The Corporate Social Responsibility Concept

Corporate Social Responsibility (CSR) is a concept that has generated ambiguous interpretations, that come not only from economic analysts, but also from international institutions that promote on large-scale the integration of CSR principles in business conduct and even from the companies that manifest CSR. [2, p.5]. As the base we proposed the definition of World Council of Corporate Sustainable Development, which in our view gives short and clear essence of this concept „CSR is the continuous commitment undertaken by companies to behave ethically and contribute to the economic development, improving at the same time, the quality of life of employees and their families, local community and society in general” [4, p. 47]. It is clear that the „social responsibility” concept involves valueable reasons. Consequently, this concept is a subjective one and influenced by the context.

In the last decades more and more institutions, governments, international organizations, teachers and the society in general, have committed into a dialogue about corporate social responsibility. Everywhere in the world appear new standards, procedures and expectations concerning the behavior of the companies. Those companies which are not aware of their implications or do not succeed to integrate them in their future plans, will not be able to participate to this global dialogue and will risk to be left behind as the global economy will expand.

It should be noted that through the history the corporate actions in CSR (corporate social responsibility) domain take various forms: charity, donations, sponsorships, volunteering, programs which promote certain causes etc. These actions change gradually their character: from the occasional (charity) to systematic (incorporated into the general strategies of the companies), from the philanthropic character to the mutual benefit one, from the lack of identification of persons referred to, till the introduction of selection criteria and their prioritization. Durability and warranty of company compliance commitments in promoting CSR plans is being ensured when the society becomes cooperative and both are turning in obtaining benefits or in raising the individual level of performances initially set.

At this time, it became increasingly obvious the fact that any company is a part of a complex system of relations with various segments of the society which can exert a strong influence on its activity. If the company fails to provide an adequate response to these interest groups it may face serious conflicts that may affect the company image or even the entire activity. Roles and responsibilities of the companies are redefined. Although the profit obtaining motivation is accepted and recognized, people are not willing to accept it as an excuse for ignoring the rules and the standards for employees, business partners and the environment. The modern companies are expected to be responsible for the attracted and used resources aiming their development and success.

In other words, CSR of the companies means achieving commercial success in an ethical manner respecting the people, community and environment. This involves meeting the legal expectations, ethical or commercial ones or otherwise, those which the society has for the companies and making decisions that will balance the needs of all those who have a role in the company activity.

2. The Cooperative Principles

The cooperatives, as democratic structures, have always had goals beyond the initial financial results. The cooperative values and principles have been underlying operational model of cooperative business for over 150 years. The cooperative is an economic organization formed by the free consent association of a group of people which brings together the means of production and labor for the production, purchase, disposal jointly of some goods, loans, provision of services. Tradition of the founders of the cooperative is the belief of cooperative members in honesty, open attitude, social responsibility and concern for others. Such values are basic ones for the assumption of the corporate social responsibility.

The cooperative principles are guidelines by which cooperatives apply their values underlying the organization and operation of cooperatives as well as guidance of the process of understanding, interpretation and enforcement of rules of co-operative law. These are: the principle of open and voluntary association, the principle of democratic control, economic participation principle, the principle of autonomy and independence of cooperative societies, the principle of education, training and information of members, the principle of cooperation and the principle of concern for the community.

The principle of open and voluntary association. Cooperatives are voluntary organizations open to all the persons who wish to use their services and are willing to accept the responsibilities of membership without being discriminated for their sex, social level, race, religious or political category.

The principle of democratic control. Cooperatives are democratic organizations controlled by their members who actively participate in setting policies and making decisions. Men and women who are selected as representatives, they are responsible for all the members. Cooperative members have equal

voting rights (one member, one vote) regardless of the number of shares and cooperatives at other levels are also organized into a democratic manner.

The principle of economic participation. The property of the cooperative society is made through equitable contribution that the members establish when they create the company but also from the economic results of activities made by the cooperative society. Participation of cooperative members is being made with social capital contribution of the cooperative in cash or goods. Members allocate surpluses for any or all of the following purposes: developing the cooperatives, possibly by setting up reserves, part of which at least would be indivisible and supporting other activities approved by cooperative members.

The principle of autonomy and independence of cooperative societies. Cooperative societies are autonomous and independent as subjects of law having legal status and being organized and working under the control of the cooperative members that compose them. In case they enter legal relations with other organizations, including governments, they can do it under the insurance of democratic control by their members and when is maintained their cooperative autonomy.

The principle of education, training and informing the cooperative members. Cooperatives provide training and education for their members, selected representatives, managers and employees and it contributes in an efficient way to the development of the cooperatives and cope with behavioral requirements in the limits of civilized behavior in the cooperative relations sphere. They inform the general public especially young people and opinion leaders about the nature and advantages of the cooperatives.

The principle of cooperation. Cooperative societies are working in the legal, national, regional and international structures. They may be cooperative associations, unions of cooperatives and associations at district and national levels. Also cooperation between cooperatives is a business strategy without which cooperatives can remain economically vulnerable.

The concern principle for the community. The concern principle for the community of social cooperatives is being structured towards sustainable development of communities they belong to. Concern for the community is about corporate responsibility and refers to the fact that they promote other cooperative movements such as poverty prevention and environmental protection.

International Cooperative Alliance (ICA). Created in 1895, ICA is an independent, non-governmental organization that unites, represents and serves cooperatives from around the world. It is the largest non-governmental organization in the world. ICA members are national and international organizations of cooperation in all the areas of activity including agriculture, banking, fishing, health, housing, industry, insurance, tourism and consumer cooperatives. Currently, ICA counts 240 member organizations from 90 countries representing more than 800 million people from around the world. Every year, all around the world, it is celebrated the International Cooperative Day which addresses various topics related to the development of cooperatives worldwide. In 2007, at the 85th anniversary of International Cooperative Day, the message sent by ICA was based on the subject: "Cooperative values and principles in favor of social responsibility of the industry." The main goal was to underline the contribution that the cooperative members continually bring as socially responsible citizens in the cooperative activity made all around the world.

3. The Role of Cooperative Enterprises in the Republic of Moldova

In the UN Secretary-General report of 13 July 2009, it is specified the role of cooperative enterprises in developing communities all over the world by following arguments [5]:

- Co-operative Societies enhance the role of education in the communities where they operate, of the women and of the marginalized segments of society.
- Their unique characteristics, based on cooperative values and principles, make them institutionally important in reducing poverty and improving living standards.
- It is stated that although the cooperatives have social goals and a strong sense of community, they are not state instruments.

- The most important way of achieving a socio-economic development is the need to promote the formation and increase of cooperatives in a constant manner, in accordance with cooperative principles and values, respecting their autonomy.

Year 2012 is declared by the UN the year of the cooperative movement.

Consumer cooperative in the Republic of Moldova is one of the oldest socio-economic systems in the country. During its existence, this system has had many hard times. In the socialist period, the Consumer cooperatives developed to a large extent, managing to capture about 90% of service and trade enterprises, located especially in rural areas. The socialist system, however, has left its marks upon the image of the co-operative assembly, but also on the conduct of business managers and employees in the system.

Along with the transition to a market economy and development of market relations, the consumer cooperatives in the first round failed to comply with rapid change, scoring trend regression in all fields. Nowadays, we can state that consumer cooperatives in recent years have managed to make a qualitative leap backwards in progress [6]. This jump was a result of research in this area, which had the goal of identifying the factors that led to the worsening situation of cooperative enterprises, submission and implementation of a number of proposals to streamline the business activities of the cooperative sector in the market economy.

Cooperative enterprises in the Republic of Moldova are in the majority of small and medium enterprises category, serving mainly the rural population and the main business activities are services and trade. Consumer cooperatives are present in each region and district, with its own trade network which, in fact, is part of the local commercial network. In 2010, the cooperative industry had a network of 2295 retail units from which 1722 units or 75% were used for commercial purposes, others being used for different activities. Over 20% of cooperative enterprises are located in small and remote villages, most of them not being profitable [6]. In this respect cooperative organizations pursue to maintain them, putting the interests of public spotlight. Operation of cooperative enterprises in a competitive environment, which is becoming more aggressive, requires the modernization of the commercial units, reengineering of the management of trade activity to meet the challenges of competition.

Although cooperative enterprises in many localities in the Republic of Moldova are the only ones that provide certain commercial services, purchasing etc. which contribute to ensure the quality of life, these companies do not always have a good image in the community and are not recognized by the population as socially responsible enterprises, and often they are in a difficult economic situation that is slowly worsening.

4. The Social Responsibility of the Cooperatives

In the study were examined the expectations of the society concerning social responsibility of the cooperatives. We found that society is divided regarding the image of cooperatives and their social responsibility. The majority believes that, although cooperatives are apparently more socially responsible to stakeholders (cooperative members, customers, employees, neighbors, society, etc..) than other private companies, they do not undertake enough actions to solve social problems and their status of social responsible firms is absent.

Public expectations regarding the involvement of cooperatives in settlement social problems are as follows:

- To work more closely with local administration on getting out the local issues and developing of communities;
- To create new cooperative associations of people who have low incomes, and engaging in various economic and social activities, thus contributing to creating new jobs with a positive impact on living standards;
- To provide to the community services which could not be provided in the free market system;
- To undertake joint action on environmental restoration of the affected areas;

- To help the socially vulnerable niches by acts of charity: to support the talented youth and children, etc.

In this study we discussed with several leading managers of cooperative enterprises, most of them conceive enterprises with social responsibility, practiced by those entrepreneurs who are close to their community and want to be characterized by the words "do well what you do", i.e. to respect their customers, suppliers, follow the ethics of the employees, being good neighbors and protecting the environment. Among them are cooperatives, which in essence, are socially responsible, based on such cooperative values as: self-help, self-responsibility, impartiality, democracy, equality, solidarity, etc. However, most of managers recognize the requirement of the actions to demonstrate that the cooperative enterprises have state of socially responsible enterprise, for improving their image in society.

Our analysis denote that the cooperative enterprises in the Republic of Moldova are engaged in social activities such as: paying more attention to customers than the law requires it, giving gifts to children, disabled people, members of cooperatives, some cooperatives provide specialized staff training, additional tangible and intangible rewards. A number of cooperatives (for example those from the rayon Strasenii, Leova, Orhei, Edinet, etc.) invest in the development of communities they belong to, and even if their efforts are not visible at national level, they make a significant contribution to local development. The biggest problem here is lack of information about practices and successful examples of cooperative enterprises charged. Practically any cooperative, and even the whole system does not endeavor to assess the social impact of taken actions and do not report publicly about them. Here we mention that the most effective instrument of information would be web page, which unfortunately lacks in the most of cooperatives in the country. This is a great disadvantage, since the cooperatives face an absence of the most effective and convenient communication tool with stakeholders and interested public. We mention that in this particular domain the cooperatives in the Republic of Moldova could undertake the experience of cooperatives from the developed market economy countries like USA, Sweden, France, Italy etc. informing regularly and smart the public about their actions of social responsibility. [8]

Although the study on cooperative responsibility is not completed, we believe we have managed to identify a number of successes and failures registered by the cooperative enterprises in the Republic of Moldova on that topic. The key issues would be: cooperative enterprises in the Republic of Moldova does not inform enough the public about social programs, do not belong to the national projects related to CSR and are not mentioned in studies by several organizations in the field of CSR, respectively they are not recognized by society as socially responsible enterprises.

As the study aims to identify tools and practices that would contribute to the design of cooperatives as socially responsible enterprises, we recommend some actions that would further improve the image and help to increase the competitiveness of these enterprises:

- The public should be informed about the social impact of cooperative enterprises, giving them the opportunity to express their opinions about them, helping cooperatives to improve their CSR practices. The safest tool would be the internet and web pages.
- Although apparently the demand for social services is low, the cooperatives should initiate dialogues with the most relevant and influential social actors on identifying the public expectations, as a result to understand how to assess the impact of social programs and which indicators would reflect the progress in this area.
- Cooperative enterprises should understand that their recognition by the public as socially responsible enterprises can turn into a strategic advantage, which in turn will further enhance the company image. This will allow cooperative to differentiate its products in relation to competition. Namely the cooperatives are suitable for consumers to cultivate the opinion that a "socially responsible" product or service is more valuable than others. Here it is necessary to organize training measures for the public but also for employees and cooperative members.
- Cooperative associations, especially, the Central Cooperative Union of Moldova (MOLDCOOP) must unite to improve their public presence and communication. This will help restore public confidence in the role of cooperatives in society.

Another aspect about the Corporate Social Responsibility (CSR) study of cooperatives is finding the benefits that often appear under the form of “intangible” effects but they can contribute for the creation of competitive advantages for cooperative companies, in this way becoming “tangible” effects.

1. Growth of company reputation and improvement of the image brand. The organizational performance in Corporate Social Responsibility area can contribute to a good reputation. A big number of companies ascertained that all the activities related with the social responsibility helped to create good relationships with different stakeholders and proved to be useful in finding good employees in a very competitive market areas. For other companies, social responsibility is a part of the image brand that allowed them to enter on market areas with increasing demands for products and services based on value.

2. Cooperative companies also are searching resources and promotion of activities related with social responsibilities determines to obtain the so called ‘social license’ that allows continuing the activity or even to develop it. Failure to obtain community support or attracting the approval of non-government communities may lead to increased costs by extending the terms for granting approvals to conduct business.

3. Creation or improvement of reputation for investors and financial institutions. In the international community of investors there is an increasing tendency to use the factors determining the social and environmental performance in order to evaluate investment opportunities into a particular company because social and environmental performances represent the basic indicators for three potential future drivers: business agility or adaptability, sustainability of competitive advantages of the company and the quality of its strategic management. In addition, institutional investors and individual investors are guided in all investment decisions by social and environmental criteria. Business that can demonstrate that it works in order to reduce social and environmental risks and future liabilities related to them, may have a high financial reliability and financial interest reduced. A lot of companies believe that the best practices of social responsibility can create more opportunities in terms of access to capital and other funding resources.

4. Reducing business risk involved. In a market of increasing complexity, with more intense monitoring of the company by stakeholders, risk management is essential to business success. Companies begin to know that if not investing time and resources for understanding the expectations of stakeholders and bringing their concerns on the first plan, they can get to higher business risk in terms of cancellations the projects, lack of communication in public relationships or damaging the reputation of the company. This helps to avoid justice involvement and application of government regulations, which may lead to increased cost of business activity.

5. Employee motivation and productivity. A large number of companies reported that their programs in the social responsibility area have resulted in increasing employee morale and motivation, these in turn, leading to increased productivity. Personnel practices favorable to the employees show that they matter for the company, a fact that leads to increased productivity.

6. Attracting and keeping employees. More empirical and strong arguments prove that companies with a strong social responsibility or reputation in the sustainability business area manage to recruit and retain outstanding employees in markets with intense competition. Corporate social responsibility is an important criterion for the job choice decision. Also, the reputation of a good job attracts more workforces in regions relatively distant and work in a domain perceived as dangerous.

7. Competition about access to resources. A good tradition in social and environmental performance management and a demonstrated willingness to cooperate with stakeholders in terms of their concerns may increase the success rate in competition with other companies for access to resources such as energy, minerals and forests. Companies with good reputation will have more opportunities than competitors in terms of access to resources. A good reputation of a company concerning negotiating and honoring agreements with local community groups which were guaranteed some benefits (in terms of jobs, royalties etc.) supported the company access to projects in new regions.

8. Corporate values: "what is good to be done". A growing number of companies identify social responsibility as being "what is good to be done". Social responsibility is a part of the organizational identity. Some companies perceive themselves as leaders in industries where they operate and want to keep this position and the strategic concept "do what is required" is the right way to achieve this goal.

9. Satisfying the changing expectations of the stakeholders. An important factor for many companies is to expand the area of the notion stakeholders and the dynamic nature of their expectations. Over the past 15 years, the definition of this term has expanded beyond the traditional group, composed of government's shareholders and employees including environmental organizations, social activists, suppliers, communities and other special interest groups. This large group of stakeholders has become more global in terms of sphere of influence showing a deeper than ever understanding of business activities. Nowadays, stakeholders want not only to be informed about the activities of the organization and its performance, but also to be involved in establishing targets in social and environmental domain. A growing number of companies incorporated the stakeholders in the business management planning process. For example, the changing expectations represent the key factor that encouraged the extractive industry companies to reshape the way they are doing business. They are under pressure to demonstrate their relevance to society and their ability to respect and protect the important values of the society. This has led to an internal reassessment of the company role and its relationship with the environment in which it operates.

10. Stimulate innovation and generate ideas. Examining the main part of a business activity in terms of social responsibility, companies have identified opportunities for innovation and developing new business possibilities. You might say that workers who are satisfied with the job that they perform and feel that the employee respects and recognizes their contribution in the workplace tend to become more creative and dedicated to developing solutions to the problems that appear.

11. Good relations with agency regulators. Companies that demonstrate that they meet or exceed the legal compliances can develop better relationships with agency regulators which may mean less harsh monitoring. Some jurisdictions begin to recognize and remunerate the companies which are socially and environmentally responsible, requiring fewer inspections and bureaucracy and offering them emergency preferential treatment when asking other governmental approvals. In this way, you can create a connection between the company's social responsibility activities and better relationships with regulators and governments.

Conclusions

Nowadays, social responsibility becomes an important tool in economic activity of a company, a tool useful for the community and the industries. We mentioned earlier that although social responsibility is not a task for the companies to solve those problems which are duties for the public administration, however this is a new level of business where the companies are no longer interested only in maximizing profits but they are also responsible for the influence they have on the society. Responsible businesses bring long-term sustainable economic development with benefits not only for the company and the society but also for future generations. In this way, it is possible to get to collaboration between the company and the society in which both take care of community prosperity where they work and exist, helping each other to remove poverty, concerns for the stakeholders and the environment.

The cooperative becomes a socially responsible industry when it appears because, by respecting its principles, it promotes democracy, mutual help and social integration of its members; also through its work it influences a large number of people. At the same time, cooperative societies are enterprises that include in their economic activity, duties that are not profitable for other enterprises but are necessary for the population. In general, cooperatives are not only interested in maximizing profits but also promote its social mission. The cooperative is an association of people not of capital.

The main advantage of cooperative enterprises over other enterprises is that they are located close to the communities where they activate, some of them being situated far away from the economic centers of the country, in this way, those places are better informed about the needs and the problems of the community. Another advantage of cooperatives for social responsibility is the fact that the cooperative

members are often the same people living in that community, in this way, by helping those members, it will lead to the economic development of the locality. This means that a cooperative company becomes socially responsible along with its foundation. One advantage for the concept of social responsibility itself would be the fact that it is based on informing and educating members of the cooperative which would lead to knowing them better and informing the population about the meaning and importance of social responsibility.

References

- [1] Covas, L. and Braguta A., (2009), *Corporate Social Responsibility: practical aspects*, Kishinev
- [2] Expert-Grup, (2005), *Evaluation of CSR in Moldova*, Kishinev
- [3] Filip, Radu and Iamandi, Irina, (2008), *Ethics and CSR in international business*, Bucharest, AES
- [4] Oprea, Luminita, (2005), *CSR-from theory to practice*, Bucharest, Tritonic
- [5] U.N., (2009), U.N. General Secretary Report regarding the impact of socio-economic cooperatives and the possibility to invest in 2012- International year of cooperatives, Cooperatives in Social Development, 64th session, 13 July
- [6] MOLDCOOP, (2007), Executive bureau of MOLDCOOP Report regarding the overall economic and financial activity of consumer cooperatives for 2010 at 11th meeting of Administrative council, 14 December
- [7] www.ica.coop
- [8] www.economiesociale.anr.gov.ro/bursa4.htm
- [9] www.expert-grup.org