



Evaluating corporate social responsibility of bulgarian firms

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Introduction

In global economy corporate social responsibility (CSR) is synonym of sustainable development, management of non-financial risk, as well as internationally social standards, principles and norms.

Despite the large academic resources, the economic literature has not yet reached a consolidation concerning a unified recognized definition of corporate social responsibility. Its range is dynamic and is more and more expanding with new aspects like reporting the climate changes, saving energy and water resources, usage of wastes, etc.

All this imposes a studying of the theoretical concept of corporate social responsibility, the new approaches to its analysis, the instruments it uses and the main directions of socially responsible initiatives of the companies.

The goal of this publication is to show the achieved degree of presenting and announcing the corporate social responsibility of the Bulgarian companies to the society, as a core of their integrated reporting. The trinity approach (with main directions – economic, social and environmental) is a fundament of the reporting of the corporate social responsibility.

Object of study of this article is the firms in Bulgaria and their socially responsible practices. Analyzed are the requirements of international standards of corporate social responsibility, achieved conformity with their criteria and application in the firms.

1. Theoretical Background of Corporate Social Responsibility

Corporate social responsibility is a complex multi-dimensional governance phenomenon, which shows the reasons for a conscious target responsible/irresponsible behaviour of the companies, the main directions of their action/inaction, and the reflection of this process on the companies' stakeholders and the society as a whole. Since it concerns the socially responsible behaviour of the business not only in the production and trade network it operates in, but also in the context of satisfying the requirements of the whole society, mostly clients, suppliers and local community, the interest in the problem is higher.

The civil society serves as a corrective of the activity of the business through monitoring its impact on the economy in solving urgent social and environmental problems. As a result, a “new social contract” is established. In it the citizens are licensors, providing “moral license” to the companies to operate in a dynamic competitive environment, to take economic and social responsibilities, to initiate active corporate social policies and engagements on protecting the environment.

Focus of the theoretical studies is the theses on the “public role of the private enterprises – risks, alternatives and new model of engagements”, as well as private initiatives for delivering public goods [1]. The construct “responsibility to the society” is concretely defined, identifying the concrete subjects, to which the corporate social responsibility is directed, and the specific instruments, with which it operates.

As an activity in the interest not only of the firm but of the society as well, CSR is an important mechanism for achieving sustainable growth and employment – main goals of Europe 2020 Strategy. [2]

The World Investment Report (2016) concerning the investors' nationality and their challenges defines 10 main directions to be considered. The main recommendation is investors (regardless of their nationality and the specifics of their investments) should have the contribution of the companies to the sustainable development and “reducing to minimum the negative social and

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ecological impacts” as a main criterion of a conscious investment decision. [3]

Corporate social responsibility theory is symmetrically interrelated with the socially responsible investment. In the contemporary discussion on the financial markets a socially responsible investment is the one with environmental, social and governance (ESG) effects. Socially responsible investment has participants on the financial markets who are interested in projects and initiatives for sustainable development with obligatory economic, social, environmental (ESE) disclosure when assessing and selecting investment decisions. Corporate social responsibility and socially responsible investment are not antipodes and do not provoke conflict situations, since the goals in both cases are the same – meeting social, economic and governance criteria. However, the subjects of corporate social responsibility and socially responsible investment are different. Main subject of socially responsible investment is investors with an intention to invest, counting the significance of social and environmental factors. Subject of corporate social responsibility is companies-issuers, which, on the contrary, reveal their socially responsible achievements and results in order to attract the interest of the socially responsible investors to direct their financial resource to their companies.

The investors on the financial markets need profound economic, social and governance reporting, which is the goal also of the Global Reporting Initiative (GRI). In correspondence to the triple reporting, the companies present their social responsibility in three lines – economic, social and environmental.¹ In the economic literature this theoretical approach is known as Tripple Bottom Line or Profit, People, Planet (3BL or PPP). The process is spiral. Companies-issuers reveal their socially responsible practices and achieved results so they can become an object of interest of socially responsible investors who will buy their shares and as a result of accumulating new financial resource will be able to expand their corporate social responsibility in triple direction to a new higher level. From this point of view there is no contradiction between the Triple Bottom Line,

required by the investors, and the economic, social and environmental disclosure in triple direction by the companies.

The model of obligatory Triple Bottom Line as a guarantee of corporate sustainability is applied successfully in France for several years now, and its obligatory character shows that it is considered a state policy. [4]

According to Norman, the Triple Bottom Line reveals the social presentation of the firms so they can be profitable in long term, it announces to the society their social obligations and voluntary engagements, and provides information requested by the stakeholders of the firms. The author stipulates that the Triple Bottom Line is a synonym of corporate social responsibility – “approach, with which the business reveals its economic, social and environmental results in the process of a dynamic development and implementation into the corporate business strategy”. [5]

When comparing socially responsible investment and corporate social responsibility, we have to note that the inclusion of public investment in its range gives the socially responsible investment a wider perimeter than the corporate social responsibility, which is a special case.

The firm strategies and policies to corporate social responsibility are a guarantee to the financial analysts and investors that the companies are governed rationally, that are adaptive to the requirements of the market and report the dynamically changing needs of the clients. This increases the trust in the companies and serves as reputation risks “insurance”.

As a result, corporate social responsibility becomes a specific mechanism for forming a good reputation and increasing the trust of the investors. This has a direct impact on the financial state of the companies. The stakeholders play a dual role in the process, since the reputation of the companies depends on their evaluations, and at the same time they put a strong pressure on the companies' intention to be socially responsible corporate subjects. In this context, corporate social responsibility is a core of the firm's reputation and a specific intangible asset of the firm with an extremely high value.

¹ ESE – economic, social, environmental disclosure.



Many authors consider corporate social responsibility a core of the social innovations. The reason is the common approach to both processes concerning the implementation of the new European strategy for single market through the establishment of a socially innovative society, placing the social inclusion on a new level, the paradigm “new knowledge – new work place”, etc. [6]. Social innovations and corporate social responsibility have similar goals, common priorities, but the range of the corporate social responsibility is narrower than the one of the social innovations. The latter include also other practices like social entrepreneurship, social enterprises, effective access to a risk capital, and all topics outside the range of the corporate social responsibility.

Particularly in public companies, corporate social responsibility is directly related to the global Sustainable Stock Exchanges initiative, which ranges 58 stock exchanges – partners from 5 continents with 30 000 listed companies and market capitalization over 55 trillion USD. [7] Suggested by the London Stock Exchange, created is a Handbook of disclosing economic, social and governance information to the investors. It gives high assessment to the GRI and the promotion of information on the climate changes, as internationally recognized standards for disclosing non-financial information, which independent certification is a guarantee for high quality reporting.

The integration of the European capital markets requires high quality non-financial information about the non-financial risks faced by the companies-issuers, as well as reliable quantitative and qualitative social information, which disclosure is impossible in the frames of the CSR disclosure.

In this direction are also the recommendations of the The New Strategy for development of the capital market in Bulgaria. They focus on the quality increase of the corporate non-financial reporting. [8]

Corporate social responsibility is one of the main factors for creation of competitiveness through open legalization of the firms on the markets and their stakeholders.

The predominating definition of Carroll

emphasizes on the “business encompasses the economic, legal, ethical and discretionary expectations that society has of organization at a given point in time, and each layer turns into different corporate activities – economic, legal, ethical and philanthropic”. [9] The author states that without ethical responsibility the companies cannot rely on the European stock exchanges to guarantee the commitment of the firms to follow social engagements, protection of the environment and good governance, including corporate. In his opinion, the disclosure of social information, based on the GRI principles, is the most certain guarantee of disclosing economic and social indicators of the companies.

Environmental proactiveness is a factor for reducing future costs in accordance with current and future environmental regulations and decreasing operational costs. Nominating companies in specialized publications (e.g. Fortune) and competitions confirms firm's reputation and image.

Carroll's pyramid is an object of profound discussions, but despite multiple attempts for its revision, enrichment and supplementing of the hierarchy construction, the essence remains unchanged.

Some authors state that there is no definition more accurate and systematized than “corporate social responsibility is a risk management”, in the context of non-financial risk, which helps overcome significant social conflicts and contradictions for effective functioning of the companies. [10]

According to Kytte, in the uniform total of political, technical-technological, economic, social risks, the latter are most difficult to manage, since they require the application of flexible mechanisms and extremely dynamic reactions in overcoming conflicts.

Avoiding social risks requires unity of the actions of the corporate self-regulation and public regulation of the corporate social responsibility, which suggests the application of international standards as universal values at all hierarchy levels. Also, the socially responsible policies should correspond to the regulatory base, in order to function as a uniform complex, and the firm initiatives should exceed the requirements of the legal norms.



The necessity of corporate social responsibility as a risk management occurs also as a result of the incomplete social contracts and asymmetric information. According to the theory of the firm, it binds together specific resources (capital, labour, information, know-how), which holders are heterogeneous subjects (investors, workers, managers, clients, suppliers), and with specific investments give specific contribution to the firm.

Only with optimal combination of the specific resources, their contractors, respectively investments, an additional surplus above the resources from the contractors is possible. The surplus would be bigger if the specific assets, their owners and investments, function not separately but together in the firms. If the interests of the mentioned corporate subjects provoke conflict situations, there is a trust crisis, which turns into legitimacy crisis, legitimacy deficit and loss of reputation. If the firm collapses, the specific resources cannot function on their own so they lose their value.

The reasons for the use of corporate social responsibility as a risk management can be also in the behaviour of the managers who do not apply recognized standards of corporate governance and corporate social responsibility when performing their fiduciary duties. Fiduciary duties of the managers are duty of care, duty of loyalty and duty to act in good faith. Co-duties of the managers, set in the corporate legislation, require them as agents to perform their fiduciary duties of loyalty in favour of the principal regarding all contracts, when exercising their agent rights.

In the broad sense, corporate directors, as institutionalized subjects, on whom the firm social strategy depends, perform the function of agents of the corporation, but are also respectively fiduciary/quasi-fiduciary to the corporation and its shareholders. In this context the fiduciaries' duties to the shareholders are similar to the agent's duties to the principal.

Observing loyalty suggests inability of the corporate directors to gain from third parties in the deals they perform as agents. In other words, they cannot perform deals with the principal as other party on the deal, regarding the concrete agents' relations, cannot enter into competitive relations with the principal, can not use property or

confidential information of the principal for their selfish purposes.

Managers' behaviour to act in good faith suggests a duty of the agent to observe closely the execution of the contracts with the principal, to have a care, competence, diligence, to strictly perform the tasks set by the principal, to have rational actions and counteractions, to have a duty to present reliable information to the principal, to control the reporting.

Each neglection of the fiduciary duties by the managers, especially in signing deals in their own interest, is a reason for opportunistic behaviour, which requires strict control by the shareholders for preventing losses as a result of a corporate conflict.

Corporate social responsibility is a risk management, since the social contract serves as an "agreement between the representatives of all corporate stakeholders in a hypothetical situation of impassionate choice". [11] Sacconi subordinates the fiduciary duties on two levels. In the narrow sense, Sacconi focuses on the return of investments and generation of profits (social contract on 1st level), and in the broader sense – on the concrete payment to the participants in the firm transactions (social contract on 2nd level), like payment for improved work conditions, environment, health, etc.

In this way, contract between client and agent is an additional insurance on the responsible behaviour of the managers to avoid social risks and overcome the asymmetry of information, loss of power and antagonistic conflicts.

While in earlier publication, when analyzing the interrelation between corporate governance, corporate social responsibility and stakeholders, Italian Prof. Sacconi makes the distinction of stakeholders to primary and secondary, in his newer studies he defends the thesis that the optimal one is of strong and weak stakeholders

Strong stakeholders are the institutional investors and highly qualified workers, while weak stakeholders are individual shareholders and unqualified workers. The author considers this distinction is a current one, since it compares the quantity of the specific contribution of the corporate subjects, which directly reflects on the weight of the



specific contribution.

Sacconi renews the definition of corporate social responsibility as an “expanded model of corporate governance based on fiduciary duties to all firm stakeholders”. This expanded and renewed model of corporate social responsibility covers residual rights of control/ownership, fiduciary duties of the managers and top administration, as well as the fiduciary duties of those with power (owners, institutional investors, majority investors).

In the mentioned triad, the distribution of residual rights of income, respectively control, depending on the applied ownership regime, is of prevailing significance. We cannot ignore the inclination of the owners to profits, preserving and multiplying their assets and their control rights. The managers' rights are the insiders' rent and bonuses. The workers need their payment and defend their rights and execute control through unions and strikes. The state determines the normative frame and observes for wrongful and illegal use. The society is a civil corrective and its right to control is indisputable. The buyers have the right of preferential prices and discounts, and control the quality. Suppliers often use their rights of payment delay and control the execution of the deal.

The explicitness, as a clear engagement on guaranteeing the residual rights of income and control, is a main lever of the corporate social responsibility as risk management for avoiding legitimacy crises – internal (between firm's stakeholders) and external (crisis of trust and reputation).

Operationalization of the three components of the term CSR outlines its main characteristics. The terms “corporate” and “social” are used for directing the analysis to the firm level (corporate), respectively to satisfying the interests of all stakeholders in performing business operations (social). The literature has established the wrong interpretation that social responsibility is such in the sense of social union-determined initiatives. The second term “social” actually specifies the directions of the responsibilities regarding the different stakeholders. As a term, “responsibility” emphasizes on the engagements of the corporations with their stakeholders, whose actions/counteractions do not provoke conflicts but are unidirectional to observing the public interest.

Triple Bottom Line is a base construction for CSR analysis. It is directed to economic, social and environmental responsibilities. One of the sections between CSR and corporate governance (CG) is the application of the stakeholders approach. Also, CG is not entirely limited to maximization of the shareholders' value but suggests accordance with the interests of many players, and observing their interests is a main goal of the corporation.

In corporate governance, as well as in corporate social responsibility, the role, rights and duties of corporate directors, corporate boards and general assembly of shareholders are of paramount significance. The regulations of the corporate directors in the corporate governance process should be modified in accordance with the requirements of “incorporation of duties of directors to set social responsibilities in the corporate strategies” [12]. Corporate social responsibility is a mechanism, with which the managers respond to the strong pressure by different corporate subjects with specific requirements and claims.

Setting the objectives of corporate governance and corporate social responsibility in conformity is a guarantee for their recognition as main factors for increasing the competitiveness and corporate sustainability. The convergence between them has a direct impact on the processes of self-regulation at micro level in real business environment. At firm level the self-regulation is done either based on individual codes of conduct or through joining the initiatives of stakeholders, carried out by international or national trade or social organizations.

OECD Principles of Corporate Governance define the latter as a “system of engagements between management of the company, Board of Directors, shareholders and other stakeholders” [13]. Corporate social responsibility, as directly related to the internal system of corporate management and external communications, is recognized as a main part of the corporate governance.

Corporate social responsibility can be defined as uniform system of consecutive economic, environmental and social initiatives, including ethical norms and values, realized through the corporate governance system, with constant



engagement with stakeholders for reducing non-financial risks, improving firm reputations and competitiveness.

The strong processes of convergence between corporate social responsibility and corporate governance have an active impact on the dynamics of self-regulation at micro level in real business environment. The corporate self-regulation regime is a core of regulation at firm level. The most concentrated external manifestation of self-regulation is the firm's codes of conduct and the non-financial reporting. They suggest incorporation of mutual initiatives (Multi Stakeholder Dialog) at firm level.

The consideration of the dynamics in the development of the codes of corporate governance and non-financial reporting, based on recognized standardization regimes, is an empirical evidence of the creation of favourable environment for convergence of corporate governance and corporate social responsibility. The codes of conduct allow the use of different systems of standards, which the firms try to follow. The effective convergence of corporate social responsibility and corporate governance is of substantial importance for the successful corporate development. The codes of corporate behaviour and non-financial reporting reveal the role of the corporate self-regulation as a cross point between corporate governance and corporate social responsibility.

According to some authors, in the last years the dynamics of development of corporate social responsibility and non-financial reporting confirm the transition from self-regulation to joint regulation with focus on the latter. The joint regulation is done in the form of public-private partnership and interaction between business and non-government organizations (Global Contract, European Alliance for Corporate Social Responsibility, Global Reporting Initiative).

The object of analysis is directed to the institutional premises, which condition the social responsibility of the business and predetermine the national specifics of the social responsibility/irresponsibility. The shortest definition of the authors is that corporate social responsibility is a quite disputed concept and they define it as an "internal complex of relatively open rules of conduct". [14]

Overleaping the thesis that business, state and society converge in corporate social responsibility, the authors turn to studying the institutional premises for its manifestation – national, cultural, historical, economic. They state that "how the corporation will be managed depends on the motives of managers, shareholders and other key stakeholders". Respectively, what its corporate social responsibility will be. According to the authors, the "theory of agents" sets significant limitations/determinants, which should be necessarily overleaped when corporate social responsibility is considered a set of "formal organizations of government and business, as well as a set of norms, regulations, initiatives and values" .[15]

The generalizing definition the authors suggest is that corporate social responsibility is "concentrated on a ranging system of responsibilities, where business, government, juridical and social subjects operate according to their activities/actions of mutual responsibility, mutual commitment, choice and capacity". According to them, the theory of the firm, respectively the national model of the firm, is just one of the premises influencing on the corporate social responsibility model. The power of impact of political, financial, educational, capital and cultural systems is not less.

The institutional representatives of the corporate responsible school distinguish two models of social responsibility – explicit and implicit. The explicit one, specific of USA, is created on the basis of open, clearly defined and promoted responsibilities for satisfying public interests of different stakeholders. Such are voluntary corporate programmes and strategies, publicly announced as part of the corporate social responsibility, symmetrically formed under the pressure of different groups of stakeholders, reporting initiatives for public disclosure in accordance with the interests of the society. Main instrument of explicit social responsibility of the firms is charity, as well as widely spread responsible management in the form of abiding certain international standards (ISO 9000, ISO 14000). Formal and informal socially responsible institutions are strongly developed.

In the implicit form of corporate social



responsibility, specific of the European countries, including Bulgaria (mostly continental model), the significance of applied values, regulations and norms, as well as the higher degree of regulation, prevails. In this model dominating is the significance of the representative business associations, which through legitimacy of their requirements represent individual companies in revealing their firm responsibility.

According to the recognized representatives of the institutionalism school Brammer, Jackson, Matten, the institutional forms of participation of stakeholders through their representative subjects is of main significance for the institutional design of the national socially responsible policies in the European countries. [16]

The two models of corporate social responsibility are not static and there are tendencies of convergence. The first model more and more adopts from the European model the significance of general international norms of corporate behaviour and reporting, and the second one adopts the positive experience of the Anglo-Saxon model concerning public disclosure and reporting of corporate social responsibility.

In the process of institutional legitimacy, there are three very interesting phenomena, discovered by the sociological institutional school: Coercive isomorphism; Mimetic processes and Normative pressures.

They are undoubtedly an equivalent contribution to the two American sociologists from the universities in Princeton and Stanford [17]. Criticizing the bureaucracy as a general organizational form of the corporations and the state, DiMaggio and Powell reveal that companies become similar, but the similarity does not lead to a necessary increase of their effectiveness. The authors take up the task to reveal the reasons for the striking homogeneity of the organizational forms and practices and raise the question why there is no variation of approaches and forms. They call this homogenous process isomorphism.

According to them, the reason for this phenomenon is either the non-optimal choice of an organizational form (dominating thesis), or the degree of adequate firm reactions, respectively firm behaviour of the managers (less covered thesis).

The authors defend the idea that there is phenomenon called competitive isomorphism. Market competitiveness and change of the directions and measures on the convergence are reasons for it. As a result, the institutional isomorphism runs through the contemporary organizational life.

The first form of isomorphism (compulsory one) is a result of formal and informal pressure of some organizations to others, on which depend the expectations of the society where these organizations function. The pressure can be in the form of brute force, persuasion or voluntary collusion. Often the organizational changes, transposed by the government or the European regulators (for example carbon emissions control, high quality of products, responsibility to environment), are easier apprehended not as obligatory directives and sanction measures but through persuasions and observation of standards and norms.

Unlike the compulsory one, the emulative isomorphism is a corporate behaviour, which imitates good practices, copies unique management solutions, and thus gradually becomes a leading tendency. European companies, which follow the values of CSR Europa, CSR Academy, have an emulative behaviour. [18] The European processes of active promotion of corporate social responsibility to the society and reporting, as well as the informed choice of membership in some organizations thus observing their values, are an evidence of emulative isomorphism, directed to confirming leadership positions. The power of emulation is observed most clearly in companies voluntarily joining the UN Global Contract norms.

Last but not least significant form of isomorphism is the normative one. It is a consequence of the normative character of the organizational changes and concerns the professional requirements – mainly school education and legitimacy of the cognitive base at university level, where contemporary professional managers are trained, as well as distribution of normative regulations through professional networks, business associations. As a result, a pool of interrelated totally replaceable individuals is created.

One of the important firm mechanisms, where



the normative isomorphism exists, is the choice of personnel. In the practice the processes are complex, since they concern hiring highly qualified professional managers – economists, lawyers. The requirements for their qualification are high and dynamically changing. The career progress, as far as it is strongly regulated both at the entry and in the process of professional development, shows a similarity with the required qualities of the individuals. This effect is achieved through seminars by business organizations, educational and qualification intra-firm programmes, consulting projects, schools organized by employers and unions. Even professional magazines, particularly economic ones, have isomorphic power with their purpose to increase the quality of knowledge, to raise it to a new higher level and to confirm higher criteria.

An example of normative isomorphism is the European and national professional organizations, academies and other non-government organizations and associations, which unify the accounting reporting, the process of supply chain, education, qualification levels. This is a process of great significance for our EU membership.

2. Dynamics of Corporate Social Responsibility in Bulgaria

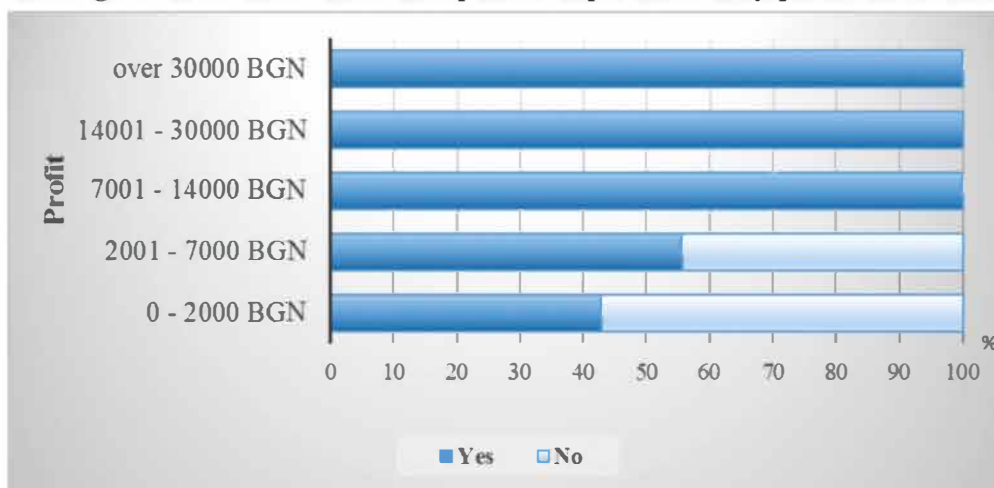
Monitoring and evaluation of the corporate social responsibility of the Bulgarian firms are based on a National corporate governance study in 2014-2015. The study ranges 131 shareholding companies, 40 of which are public and 91 – non-public. The representative information is acquired through questionnaire, filled in by leading managers of the companies.

The processed empirical information allows outlining current tendencies in the development of the internal and external corporate social responsibility of the firms in Bulgaria. For the purposes of the analysis is used a system of one-dimensional distributions, systematized through descriptive statistics methods. Outlining of main tendencies in the socially responsible practices of the Bulgarian companies is a result of applying a system of cross sections of empirical data, systematized in three main directions – economic, social and environmental.

Main object of internal corporate social responsibility is the personnel of the firms. The main socially responsible initiatives are directed to it. Expectations are that the increase of the employees' qualification is a main factor for firm effectiveness. Empirical data confirm the theoretical conclusion in the previous section that training, qualification and requalification of the personnel is a core of the corporate social responsibility in all recipient firms, regardless of their reported profit, number of employees, type of markets for their production.

According to the empirical information (see Figure 1), all studied enterprises with profit over 7000 BGN in the three groups (7001-14000, 14001-30000, and over 30000 BGN) state that they develop programmes for career development of the personnel. Programmes for increasing qualification and requalification of the employees are developed by 54% of the firms with profit 2001-7000 BGN, respectively 42% of the firms with profit under 2000 BGN.

Figure 1. Programmes for career development of personnel, by profit of the enterprise



Data show that not only the large enterprises with 100% positive answers, but also firms with less profit, highly evaluate the significance of the employees' qualification as a factor for attracting personnel, decreasing fluctuation and motivating employees.

Corporate policies for career development, applied in the Bulgarian firms, show that corporate governance draws a lot of attention to its employees, as main internal stakeholders.

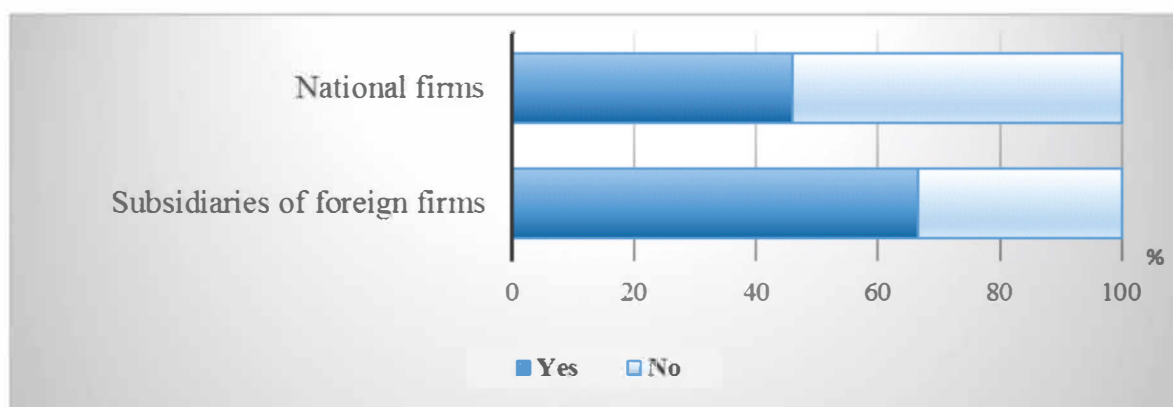
Statistical data show that the number of micro firms, not applying such programmes, is dominating in the group of firms with profit 0-2000 BGN (36 firms, or 58%). 46% of the firms with profit 2001-7000 BGN also give negative answer.

The conclusion is that firms with higher financial results have bigger opportunities to finance programmes for training, qualification and requalification of their personnel.

Programmes, which place the personnel as a focus of their social responsibility towards professional training, increase of qualification and requalification, are actively applied in the subsidiaries of foreign firms operating in Bulgaria. The reason is that the financial resource of the subsidiaries of foreign companies suggests bigger opportunities for carrying out intra-firm trainings for increase of the employees' qualification. Often training is done also in the central offices of the mother companies.

According to data of the study, 66.7% of the subsidiaries of foreign firms invest in training their personnel, compared with 33.3% negative answers. The answers of the managers of the national firms confirm the existence of training and qualification programmes in 43.9% of the firms (see Figure 2).

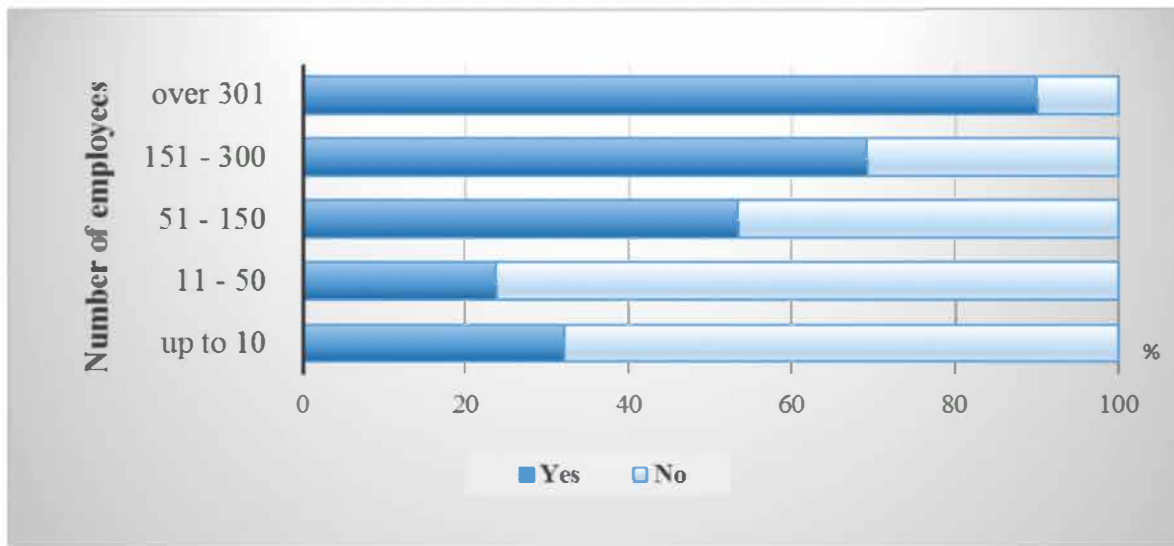
Figure 2. Programmes for career development of personnel, by ownership of the capital of the enterprise



The analysis of the relation between career development of the personnel and number of employees in the enterprises shows that 90% of the large enterprises with over 301 employees carry out programmes for training and qualification of their employees. In the groups with 151-300 and 51-150 employees the positive answers are respectively 67.8 and 52.3% (see Figure 3).



Figure 3. Programmes for career development of personnel, by number of employees in the enterprise

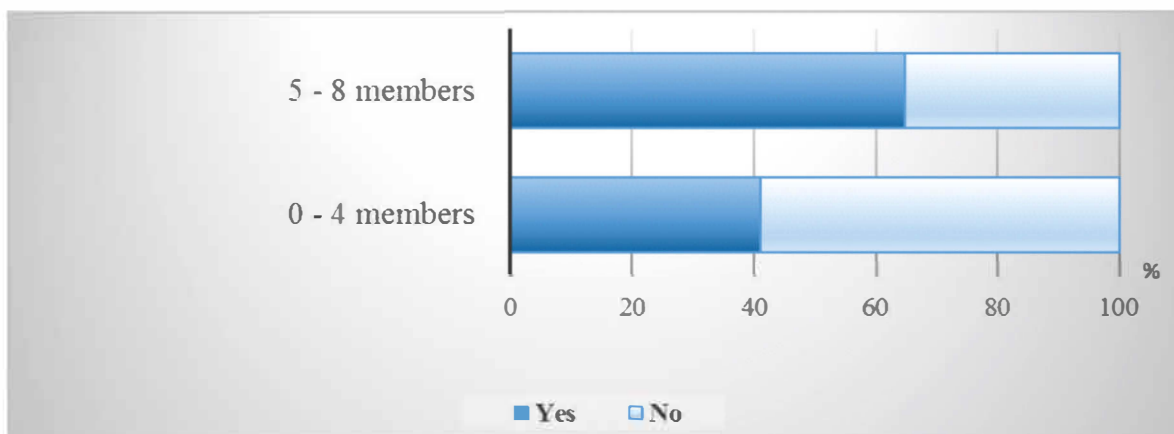


The conclusions for the mentioned relation are analogical with the conclusion for the analysis of the interrelation between education/qualification programmes and enterprises by the profit.

The career development programmes are not influenced by the process of system changes and reforms – they are quite significant to the firms with a process of market transformation through privatization and the newly formed firms. In all cases, regardless of how the firm is established, the predetermining factors, which influence on the processes of qualification and requalification, depend on the size of the company by number of employees and its financial state.

The question of the relation between career development programmes and number of Executive Board members aims to reveal whether the firm policies in this direction are priority of the management teams and what is the attitude of the Executive Boards with bigger/smaller number of members (see Figure 4).

Figure 4. Programmes for career development of personnel, by number of Executive Board members

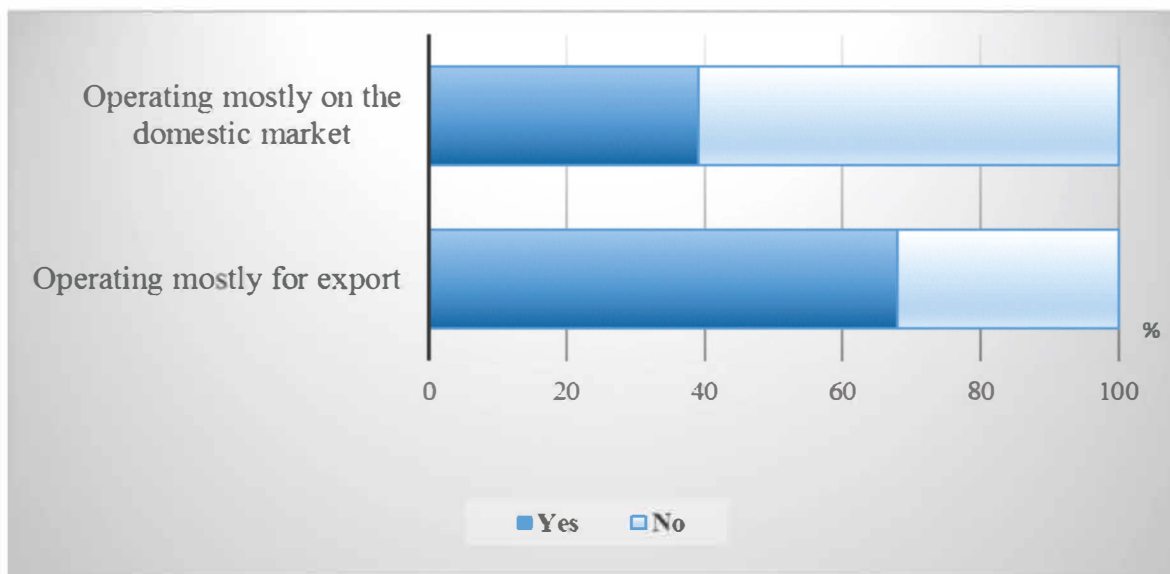


Data show that 63.7% of the companies with 5-8 members of Executive Board are positive to all initiatives concerning career development, training and qualification of the personnel. In companies with up to 4 members of Executive Board the positive answers are less (41.2%).

The hypothesis that the larger firms with bigger Executive Boards have more expanded social programmes for their employees, for accumulating quality labour force and avoiding disloyal practices, confirms.

Crossing the analysis of the personnel with the type of market the firms operate on shows that 67.9% of the firms working for export and 39% of those operating mostly for the Bulgarian market actively carry out career development programmes (see Figure 5).

Figure 5. Programmes for career development of personnel, by type of market



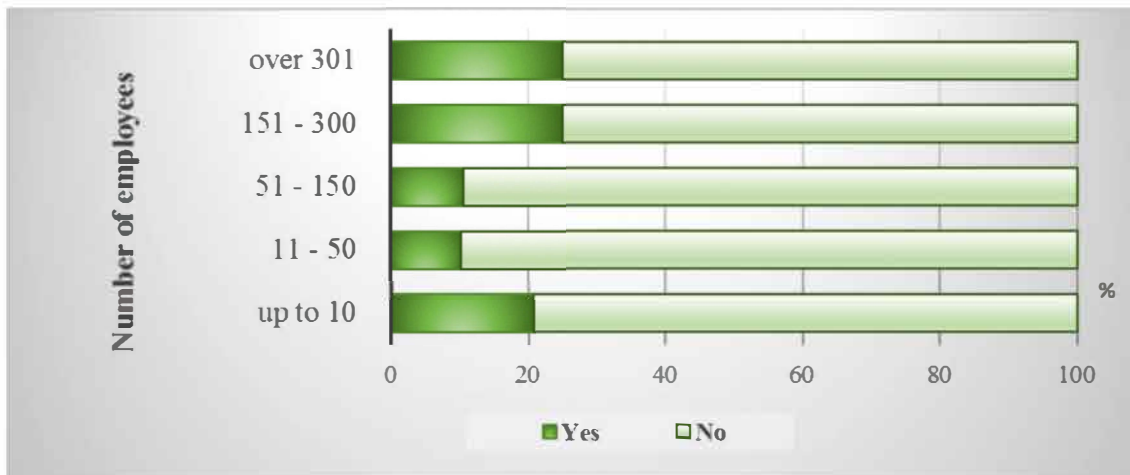
The conclusion is that firms working for export report bigger significance of the qualified employees, so they can meet the requirements for quality of the products on the foreign markets and can successfully increase their competitiveness.

Corporate strategies for personnel development and all initiatives towards an increase of the level of professional qualification and requalification can be highly evaluated as an evidence of good management and open disclosure of the socially responsible policies to the personnel, as a main stakeholder in the companies. The firm results depend on this.

Observing safety and health conditions by the employees is an engagement, with which corporate managements make no compromises, having in mind its high significance. Question 6 in the questionnaire aims to reveal the dependence between the issued acts on the Law on the safety and health conditions at work and the number of employees in the enterprises, as an indicator of their size structure (see Figure 6).



Figure 6. Issued acts concerning the requirements of the Law on the safety and health conditions at work, by number of employees in the enterprise



Empirical data show that in almost all enterprises, regardless of their size structure, by number of employees, there are issued acts on the Law on the safety and health conditions at work. Such acts are issued in 25% of the firms with over 301 and 151-300 employees.

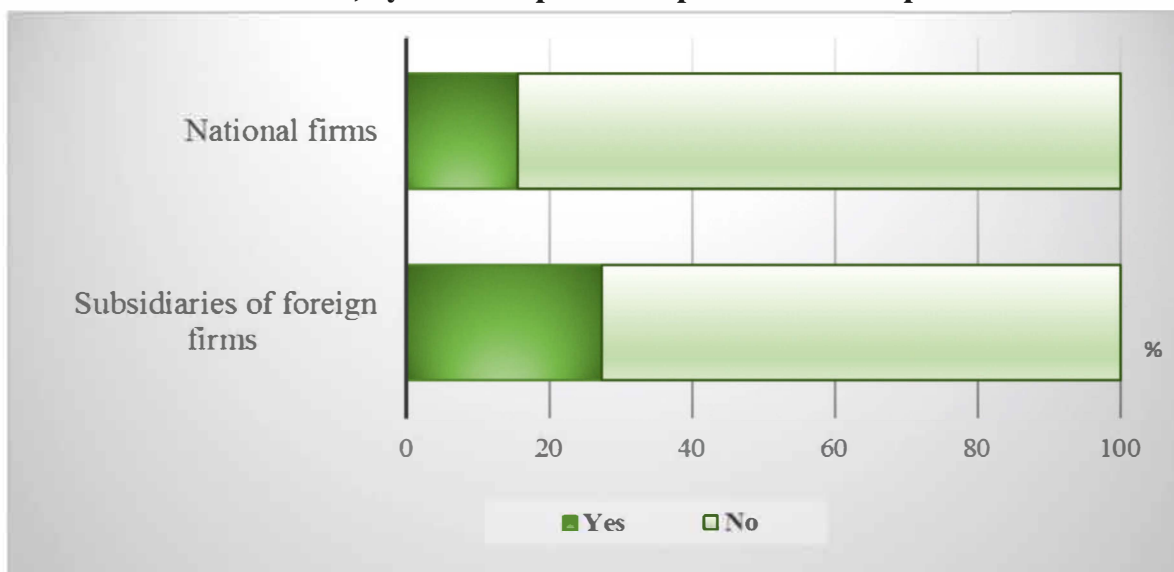
The smallest share of firms with issued acts is in the group of enterprises with 11-50 employees (10.3%). 21% of the micro enterprises with up to 10 employees have such acts.

In the two groups of largest enterprises the negative answers are 25% of the firms, in the group of enterprises with up to 50 employees they are 89.7%, and in micro enterprises – 79%.

Empirical data on the existence of issued acts on safety and health conditions at work are a reason for a following analysis and evaluation. Firm management should focus on guaranteeing safe conditions at work, and not just to the normative level required by law, but also outjumping the legal regulations through responsible firm policies and initiatives towards guaranteeing life and health of the employees. This is exactly the focus of the corporate social responsible.

It is positive that the share of companies without issued acts on Law on the safety and health conditions at work, both in the group of national firms and subsidiaries of foreign firms, is high. There can be recommendations to the firm management to use all possible resources in this direction, so there is a maximum high degree of guarantee of life and health of the employees, exercising their right to work.

Figure 7. Issued acts concerning the requirements of the Law on the safety and health conditions at work, by ownership of the capital of the enterprise



The question of the issued acts on Law on the safety and health conditions at work and the type of market aims to show if the enterprises, operating on domestic or international market, allow themselves to compromise in this direction (see Figure 8).

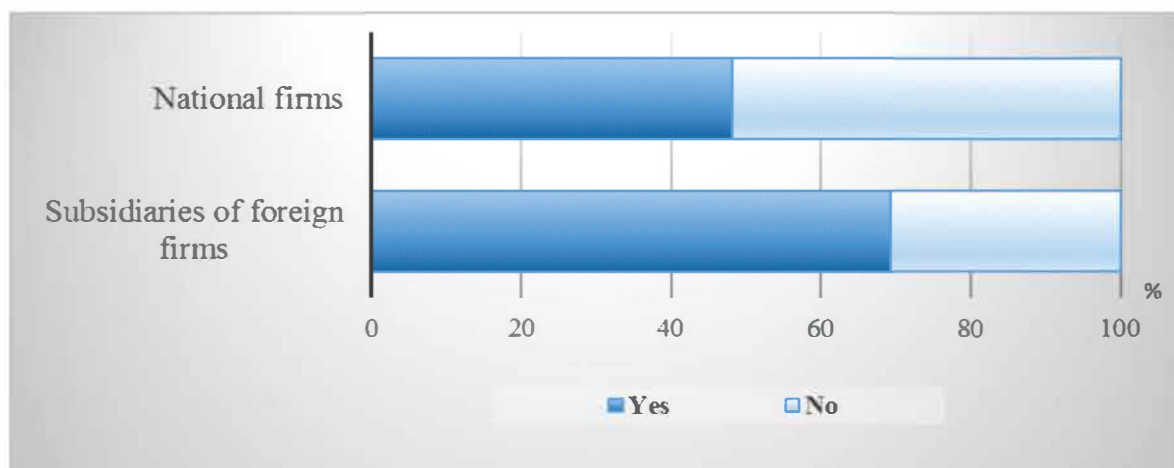
Figure 8. Issued acts concerning the requirements of the Law on the safety and health conditions at work, by type of market



Empirical data show that 88% of the firms operating mostly on the domestic market, as well as 73.3% of those working for export, deny existence of issued acts on Law on the safety and health conditions at work.

The recommendations here are also towards increasing the engagement of the firms for ensuring safety and health conditions at work.

Figure 9. Provided transport to work place, by ownership of the capital of the enterprise



Empirical data show the firms use daily ration as a corporate social responsibility in interest of the employees in all groups of enterprises by size structure, and regardless the ownership of the capital.

The systematized empirical data on the relation between providing recreation for employees by the number of employees show that this voluntary initiative is considered social responsibility mostly in the large companies with over 301 employees (30% of the firms in this group give positive answer).

Identifying medical services for the personnel as a firm social responsibility is confirmed in the largest



enterprises (55.2% of the firms with over 301 employees). Enterprises with 151-300 and 51-150 employees also state that carry out this form of corporate social responsibility (respectively 24.2 and 43.8%). In the group of enterprises with 11-50 employees 19.4% carry out this form of corporate social responsibility. In the group of micro enterprises negative answers dominate (76%).

The crossing of medical services as corporate social responsibility and the profit of the firms repeats the previous conclusions that the firms confine only to abiding the legal requirements for safety and health conditions. Firms with low profit remain passive in this direction of corporate social responsibility.

Unions have high priority concerning the work conditions. They have leading functions for providing transport for the employees (59.9%), daily ration and medical services, as well as negotiating work salary, improvement of work conditions (63%), guaranteeing social benefits (59%), maintaining employment (58%), right to guaranteed break (25%), new social benefits (62%), guaranteed kindergarten (3.57%). The indisputable activity of the unions in defending the increase of the social engagements of the companies to the employees is proved also by the empirical data.

While the first panel of questions studies the internal corporate social responsibility, the second panel examines the external one and ranges the environmental responsibility of the Bulgarian companies, as well as their responsibility to suppliers and clients, and external stakeholders.

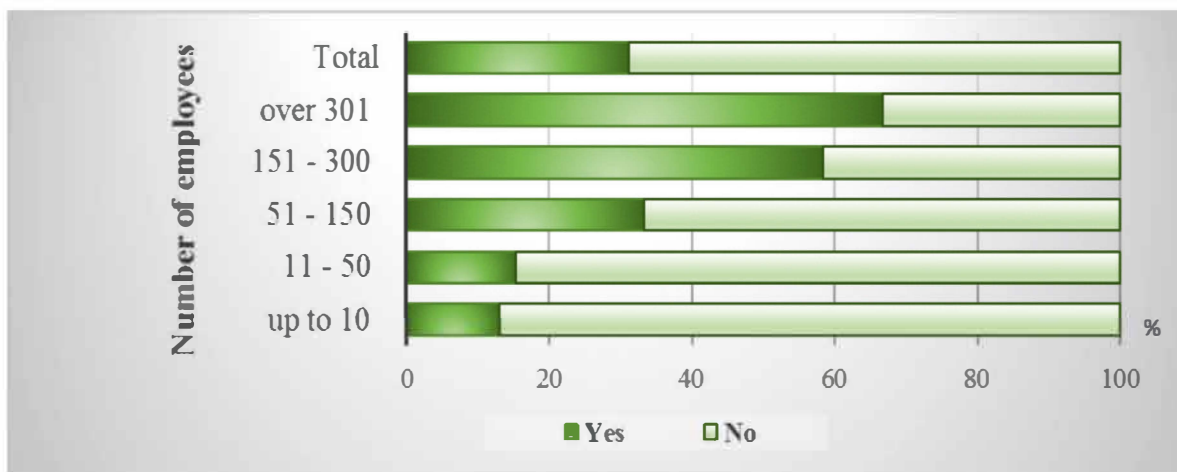
The companies in Bulgaria recognize the big significance of the environmental component of the corporate social responsibility. However, when reporting the noxious gas emissions the negative answers dominate (55.7%). Environmental component in reporting the noxious gas emissions and protection of natural territories is considered in the context of the sustainable development and will be a more and more current European priority in the future as well.

In the current empirical study the problems are considered at quality level of observation, analysis and evaluation. In perspective, expectations are for quantitative environmental indicators, which will show the firm expenditures for environment, based on real annual firm reports.

37% of the respondent firms generally state their involvement in protection of the natural resources in protected territories. The involvement of the large firms with over 300 employees in protecting the natural territories is biggest (64.8% positive answer). The share of positive answers in firms with 151-300 employees is also high (58.2%).

By number of employees, the least positive answers are registered in the group of micro enterprises (16.6%).

Figure 10. Protecting the natural territories, by number of employees in the enterprise



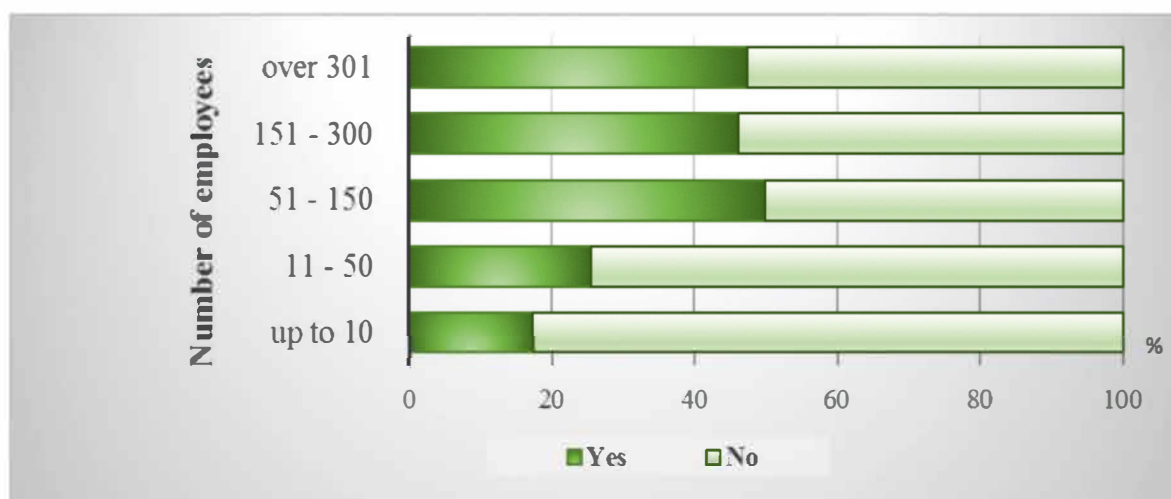


Only an integrated approach to corporate social responsibility concerning the choice of clients and suppliers can lead to positive results with due diligence, in accordance with the context of the internationally recognized standard ISO 26000.

Empirical data confirm the hypothesis that abiding environmental criteria in the choice of suppliers and clients is considered a manifestation of the corporate social responsibility, mostly in the large firms. The three groups of firms with 51+ employees report almost 50% positive answers. This means that they consider the problem significant and place an adequate focus on the interests of the external stakeholders – suppliers and clients. The group of micro enterprises registers minimal positive answers (18.6%).

Meeting the environmental criteria in the choice of suppliers and clients is a form of strategic management. This problem is stronger in concluding contracts, applying for national or European financing. The shared responsibility of the firms with their suppliers and clients concerning joint environmental programmes is a preliminary condition for high self-evaluation of the firms in accordance with international standards ISO 26000 and ISO 14001.

Figure 11 Observing environmental criteria in the choice of suppliers and clients, by number of employees in the enterprise



32% of the interviewed enterprises, observing environmental criteria in the choice of suppliers and clients, consider the firm environmental initiatives a way of meeting the requirements of recognized international standards, particularly ISO 14001 (see Figure 21). 23% of the firms report a positive impact of the environmental initiatives on the establishment of their positive image. 9% of the firms are sceptical, considering the environmental programmes unable to have an expected impact on the activity of the firms. 23% of the firms do not answer at all, and 13% admit not having environmental programmes.

The process of institutionalization of corporate social responsibility in the Bulgarian firms runs dynamically. The subjects of the firm, engaged with carrying out social and environmental initiatives, are clearly outlined.

In most of the firms the socially responsible

initiatives are managed by the Executive Director (83%), “Human Resources” Director (9.9%), or “Public Relations” Director (5.3%).

Management of corporate social responsibility in the subsidiaries of foreign companies in Bulgaria is similar. The leading role is held by the Executive Director in 55% of the subsidiaries, “Human Resources” Director – in 36%, and “Public Relations” Director – in 1 company.

There will be a lot of work on improving the management of the companies in Bulgaria concerning the transparency of the social reporting. According to the empirical data, 27% of the companies openly state that they publish annual social report, authenticated by a certified auditor, while the other companies do not consider it a necessity.

Social reporting is very significant to the



investors. Through specialized analysts they carefully study social and environment firm indicators. In this sense, social and environmental reporting in the Bulgarian companies should be raised at a qualitatively new level, particularly in the context of the European Directive of non-financial reporting. According to the European Commission, social reporting becomes obligatory for all large European companies, and they will have to disclose many social and environmental indicators.

The respondents with positive answer concerning the necessity of social reporting confirm its significance. They consider it a mechanism for observing high standards of reporting and a substantial instrument for the good image of the company (21% of the companies) (see Figure 22). 15% of the interviewed firms confirm the significance of the annual reporting of corporate social responsibility for improving the good reputation of the firm. 12% of the respondents depreciate the significance of the social reporting, and 21% do not give any answer. 31% of the interviewed companies state that they do not publish an annual report on corporate social responsibility.

The analysis of the corporate social responsibility in Bulgaria shows that the firms do not carry out just individual, temporary socially responsible initiatives, but make substantial attempts to integrate the corporate social responsibility in their business model. There are enough evidences in support of the statement that the Bulgarian firms have already made the first steps to applying a system approach to corporate social responsibility in the context of the strategic management. Social and environmental initiatives are successfully embedded in the strategies of many Bulgarian firms and are incorporated in their business operations.

In perspective, the improvement of the corporate social responsibility should be done towards increasing the level of social reporting, social audit and disclosure of reliable non-financial information to the investors and other stakeholders.

The processes in the field of corporate social responsibility are very dynamic. The voluntary element of its character predetermines individual firm solutions and approaches, based on the European directives and requirements.

The conclusion is that the environmental responsibility of the companies is as significant as

the social one. In the future the focus should be on applying international environmental standards of corporate social responsibility in the Bulgarian companies.

As a result of the systematization of the data from the empirical study, we can conclude that the Bulgarian companies are inclined to socially responsible initiatives, set in their corporate programmes.

Conclusion

The European Commission considers the corporate social responsibility very significant as a “catalyst of long-term employment and increase of the trust of the consumers”. European and national efforts are directed towards establishment in the EU member countries, including Bulgaria, of a National Corporate Social Responsibility Strategy “with human face”, directed to observing the main human rights – to work and live. Publication reveals the theoretical essence of the corporate social responsibility, compared with other similar terms and definitions like socially responsible investment, social innovations, social entrepreneurship, social enterprises, corporate citizenship, etc.

The systematized data of the empirical study show that Bulgarian enterprises are environmentally responsible and their strategies include similar requirements to their contractors – suppliers and clients.

The results of the study show that almost 30% of the companies, mostly public ones, publish annual social reports. This is evidence that the bases of the non-financial reporting in Bulgaria are successfully established. In accordance with the requirements of the European Directive for non-financial reporting, all large enterprises will be obliged to disclose detailed non-financial information concerning age, gender, education, citizenship, payment to employees, as well as to managers. Undoubtedly, corporate social responsibility is a core of the non-financial reporting, which significance is expected to grow more and more.

All this shows a big significance of the corporate social responsibility in the contemporary society.



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