



## **ENVIRONMENTAL MANAGEMENT AT THE MICROECONOMIC LEVEL**

---

---

**PhD. Gabriela-Cornelia PICIU\***

### **Rezumat**

Prin articolul de față se încearcă să se dovedească faptul că problemele de mediu sunt tot mai frecvent recunoscute ca probleme globale ale omenirii și fiecare problemă globală trebuie tratată de la origini, de la nivel microeconomic.

Globalizarea problemelor de mediu provoacă îngrijorări din ce în ce mai mari. Companiile sunt din ce în ce mai interesate să realizeze și să demonstreze o performanță ecologică prin controlarea impactului activităților, produselor și serviciilor lor asupra mediului. Ele efectuează „auditări” pentru a aprecia performanța lor ecologică. Totuși, aceste auditări nu sunt suficiente pentru a asigura o organizație că performanța ei nu numai că întrunește, dar va întruni și în viitor cerințele legale.

Standardele Managementului Mediului (cum ar fi seriile de standarde ISO 14000) constituie un etalon după care organizațiile și companiile își pot măsura performanța. În același timp, opinia publică a devenit din ce în ce mai preocupată de problemele mediului înconjurător, acestea fiind adesea reflectate în comportamentul consumatorilor care își exprimă interesul pentru produsele care nu sunt dăunătoare.

### **Abstract**

The present work is trying to prove that environmental problems are more commonly recognized as global problems of mankind and

---

\* *Lecturer ASE, Scientific researcher III, Centre for Financial and Monetary research “Victor Slăvescu”, Romanian Academy.*

every global problem must be addressed from the root, from the microeconomic level.

Globalization raises concerns of environmental issues increasingly larger. Companies are increasingly concerned to achieve and demonstrate environmental performance by controlling the impact of its activities, products and services on the environment. They perform “audits” to assess their environmental performance.

Environmental Management Standards (standards such as ISO 14000 series) are a benchmark by which organizations and companies can measure their performance. At the same time, public opinion has become increasingly concerned about environmental issues, they are often reflected in consumer behavior, expressing interest in products that are not harmful.

**Keywords:** *eco-systemic management, adaptive management, corporatist social responsibility*

**JEL Classification:** Q57

In the second half of the 19<sup>th</sup> century, the growth of the industrial production, the emergence of imperia of strong corporations and the existence of huge differences of wealth between the members of society have shown that market liberalization and the free enterprise doesn't necessarily end in public welfare. The system which is able to create welfare is, at the same time, capable to harm the environment and/or society. Thus, the people's attitude towards corporations changed for the worse, and the first reaction of the managers was charity. The voices that were speaking of the moral responsibility of the corporations were heard no more and Friedman's<sup>1</sup> theory according to which the single responsibility of the enterprises is to maximize the profit was the most popular.

In his approach of the social responsibilities of the marketing, Kotler<sup>2</sup> stressed on the use of marketing results in domains which have no direct link with the business (social marketing), which the

---

<sup>1</sup> Fertetics Mandy: *Vállalatok, Social responsibility of the corporations, published in Magyar Minőség, August-September 2006.*

<sup>2</sup> Cited by Balázs Kószeghy in *the Social responsibility of the corporations in product innovation, Marketing & Menedzsment, 2006/4, pg. 20.*

basic principle of the present day non-business marketing. By this concept, Kotler redefines the role of the marketing on ethic bases, according to which in order to have long-term profits, besides meeting consumer needs, it is also necessary to contribute to the welfare of the society<sup>3</sup>.

During the recent decades, there was an increasing interest of the companies to assume social duties, which intensified the ecologist movements and consumer actions. Their interest materializes in the relations between the company and the society.

In turn, society gives power to a company and may ask it in return to participate in social programs. K. Davis admits that the effort of the company to support these programs costs, but this cost should be born by the consumers, by paying a higher price. The firm has the capacity to select the social programs it wants to support, which shows that the increase of social welfare actually is a premises to increase company profitability.

The problem of the social responsibility of the corporations raised fierce controversy in the past, but presently, most authors accept that businesses also have other responsibilities besides the imperative of maximal profitability. The most convincing proved to be the economic arguments, linked to the logic of the rational interest or of the illuminated egotism. Within this argumentative framework, the corporations assume social responsibilities as long as the effects are beneficial for their profits. Following are some illustrating examples:

- The corporations which are perceived to be socially responsible may benefit of a wider and more satisfied clientele, while a public perception of social irresponsibility may end in boycott or other hostile actions of the consumers.
- Similarly, the employees may be attracted to work in those companies which they perceive to be socially responsible and they can even be devoted and proud to work for such companies.
- The voluntary involvement of the companies in social actions and programs may prevent the legislative initiatives of the governments, thus ensuring a higher independency of the corporations from the governmental control.

---

<sup>3</sup> *Kotler Philip, Armstrong Gary: Marketing principles, Teora Press, Bucharest, 1998.*

- The positive contributions to social development may be taken by the companies as long-term investments in the consolidation of a safer, more educated and more equitable community life, of which the corporations may also benefit, by conducting their activity in a more dynamic, more potent and stable business environment.
- The company which takes part in social programs improves its public relations image, by “civil goods”.
- The most widespread system of values, the Christian tradition, supports very much philanthropy and social protection.
- If the company doesn't get involved in social programs, the public opinion or the state will ask it to do so.

#### **Main CSR (*Corporate Social Responsibility*) instruments**

The main instruments for CSR<sup>4</sup> are as follows:

- Conduit codes
- Managerial standards
- Environmental reports
- Actions of social responsibility

#### **Managerial standards**

There are several managerial standards which help a company or organisation take into consideration social or environmental aspects in their activity. Managerial standards are internal instruments of the companies and they refer to a set of procedures and processes which a company uses in its activity. The standards supply a pattern of managerial systems design. They are developed by licensed entities of standardization after a long period of counselling with a wide range of stakeholders. There are procedural standards focusing on the types of processes and on ways of implementation, and there are standards of performance which include the measurement and reporting of company performance.

The implementation of managerial standards is voluntary and their success depends on their market acceptance. Their credibility depends largely on the authority of the entity which developed it. If a

---

<sup>4</sup> Cited in European Commission publication: *ABC of the main instruments of Corporate Social Responsibility*, 2004.

standard is used as instrument of communication, the process of adopting it must be transparent and independent. Adoption itself doesn't guarantee performance and doesn't spare the company to comply with the acting laws and regulation. On the other hand, they can be an instrument of success in support of legislation implementation.

Even if the development of standards is seen as an important step in transforming the commitment for social responsibility into actual actions, the debates on CSR standards are controversial. Some consider that each company should develop its own CSR practice (standard), while others support the benefits of a globally accepted pattern, which facilitates comparability and transparency.

#### **Benefits of adopting the managerial standards**

In order to give credibility to their commitment to the idea of social responsibility, the companies must develop systems to implement and evaluate CSR policies, including the definition of the targets, processes, roles and responsibilities, of the mechanisms of measurement and reporting. The managerial standards help improving CSR strategy and increase the credibility of company's CSR actions.

They may help the company to identify and ensure an efficient management of the social and environmental risk, they may involve the stakeholders more actively and more systemically and they may contribute to the general increase of company efficiency by a rationalized collection of information on actions and activities and by a better coordination between departments. At the same time, the standards can also be used as communication instruments with different stakeholders.

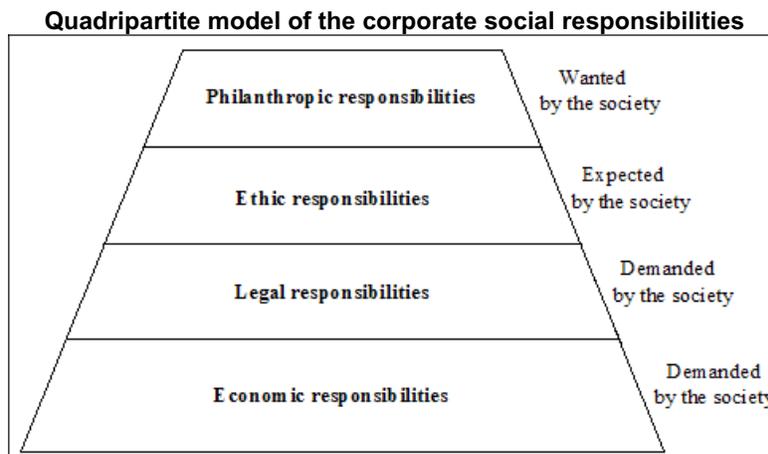
In the publication "*Corporate Social Responsibility: a Business Contribution to Sustainable Development*", the European Commission undertakes to promote EMAS standard (Eco-Management and Audit Scheme), which is a voluntary scheme for the organisations which want to get involved in the evaluation and improvement of their environmental performance.

The presented standards don't address all CSR aspects, but they provide the companies with a framework instrument for the development and assuming of social responsibility.

- *Standards for the place of work*
  - Social Accountability (SA 8000) (focusing on the working conditions)
  - ILO–OSH 2001 — ILO "Guidelines on occupational safety and health management"
  - OHSAS 18001
    - *Standards for quality management*
    - ISO 9000
    - EFQM (European Foundation for Quality Management) model for excellence in business
    - AA(AccountAbility)1000 — model of *stakeholder management*
    - ISO CR MSS (standard of ISO management on issues of social responsibility)
    - *Managerial environmental standards*
    - EMAS (Eco-management and audit scheme)
    - ISO 14000

The most elaborate and widest accepted model of corporate social responsibilities is the so-called "quadripartite model of the corporate social responsibilities" initially proposed by Archie Carroll in 1979 and then perfected in a recent work, in collaboration with A. K. Buchholtz. Figure 1 shows this model.

Figure no.1



Carroll sees the corporate social responsibility as a multi-layer concept with four interconnected aspects – economic, legal, ethic and philanthropic responsibilities, arranged in a pyramidal manner, so that the “true” social responsibility presumes the reunion of all four levels of the corporate behaviour.

Carroll and Buchholtz give the following definition: „The corporate social responsibility includes what the society expects from an organisation in economic, legal, ethic and philanthropic terms, at a given time”.

#### **Donation, sponsoring CSR (*Corporate Social Responsibility*)**

Donation is the classical method by which a company offers financial support, which can be part of the corporate strategy for social responsibility, or a single charity act. Sponsoring is another classical method of financial support, which makes advertising and which is deducted from the tax on profit within the limit of 0.3% of the turnover. The corporate social responsibility may represent the sum of donations and sponsoring, included in a long-term strategy, but it may also take other forms: voluntariate, expertise, services, which are supplied gradually to the beneficiaries. Although it presumes higher efforts, the benefits for company image are considerable.<sup>5</sup>

The worldwide spread of the concept of corporate social responsibility generated controversies on the ethic character of corporate involvement in community life. One of the major dilemmas which concern the managers is whether is correct to advertise your actions of social responsibility. Another question derives from the fact that the projects of social responsibility are decided and coordinated by company managers and not by company owners. We have to take into consideration here the fact that corporate social responsibility is an instrument of communication and marketing which can make profit, so that it has to be advertised and it is justified.

#### **Environmental reports**

The annual company reports became the most widespread instrument used to communicate with the stakeholders. Part of the annual report may be the environmental report<sup>6</sup> or the social report<sup>7</sup>,

---

<sup>5</sup> Oprea Luminița: *Corporate social responsibility*, Tritonic Press, Bucharest, 2005.

<sup>6</sup>Term used by Oprea Luminița: *Corporate social responsibility*, Tritonic Press, Bucharest, 2005.

which analyse the impact of company's activity on the environment and on the society. The social reports went a long way, starting with the leaflets and newsletters, approaching the environmental policy of the company until the sustainable development reports<sup>8</sup> appeared.

The elaboration of the environmental reports is the product of the 90s, their development being continuous. Initially, the companies were just publishing some information on their environmental policy, then some companies issued an environmental report, but not on a regular basis. The next stage is the elaboration of the annual environmental reports. Figure 2 shows the time development of the environmental reports.

Even if the number of companies which publish environmental reports is increasing, it is important to identify the stage of the report. The reports don't have a generally accepted standard, but there are guidelines and guidebooks, such as the Global Reporting Initiative (GRI) Guidelines 2002.

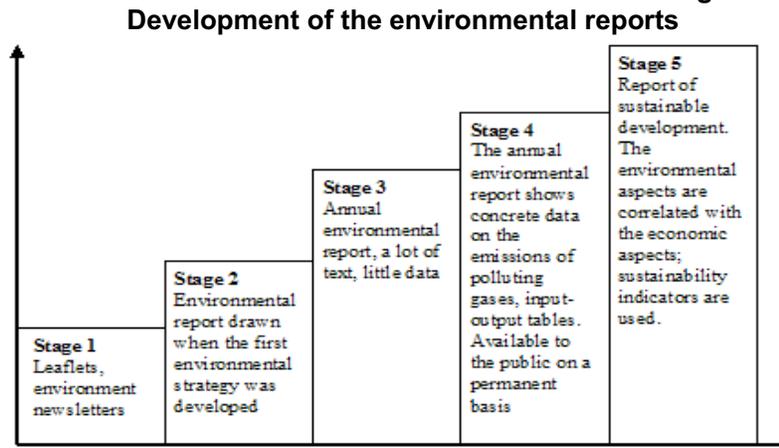
The importance of the reports, besides their utilization as instrument of communication, is that they measure the performance of assuming the social responsibilities. Therefore, the reports must include measurable data and outcomes mirroring company's activity and helping to identify the strengths and weaknesses of CSR strategy.

---

<sup>7</sup> Term used by CSR Romania in the study *Transparency and credibility in the practices of corporate social responsibility*.

<sup>8</sup> Term used by Kerekes Sándor, Kindler József et al: *Vállalati környezetmenedzsmet (Environmental management of the companies)*, Aula Press, Budapest, 1997.

Figure no.2.



### **Social responsibility – marketing instrument**

Marketing can be defined as a state of spirit, an approach and a network of methods and techniques which allow the enterprise to earn more and maintain a profitable clientele, thanks a permanent attention focused on the market, in order to anticipate its evolution and to adapt to the emerging changes.<sup>9</sup>

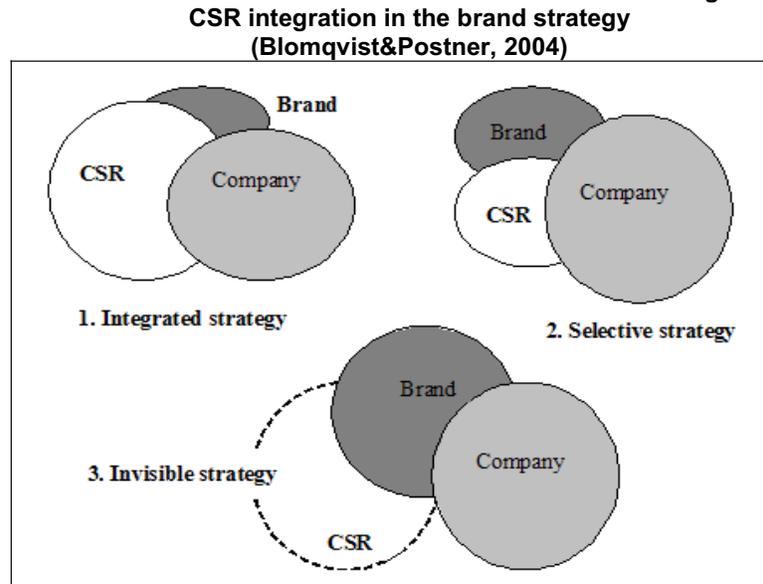
Even if the companies started to be concerned of the social responsibility of their activity and allocate more or less significant funds to CSR actions, in specific occasions, the expected outcome doesn't appears. If the company fails to communicate plainly and clearly the purpose and essence of assuming the social responsibility to its stakeholders, it may happen that the company faces conflicts exactly because it assumed this responsibility. The shareholders and investors may rise against an expenditure which they consider to be in excess, while the other stakeholders may criticise the company for promising more than it can do. To avoid this, CSR strategy must be integrated in the marketing strategy of the company, so as to satisfy the interests of all stakeholders and accomplish, at the same time, the financial objectives too.

---

<sup>9</sup> Pop D. Marius: *Marketing cards*, Alma Mater, Cluj-Napoca, 2002.

One of the most important aspects in the development and implementation of the strategy is the decision whether CSR strategy can be integrated in the brand strategy. Blomqvist and Posner<sup>10</sup> discerned three strategies which allow integrating the assuming of the social responsibility within the brand strategy: the integrated strategy, the selective strategy and the invisible strategy, as shown in Figure 3.

Figure no.3



CSR in Romania

### The integrated strategy

The synchronization of CSR strategy with the brand strategy is maximal in this case. This strategy is most efficient when the company operates on a market in which the brand preferences are determined by responsible behaviour of the companies. This approach presumes the highest development of CSR, stakeholders' expectations being high.

---

<sup>10</sup>Cited by Nádasi Katalin; Lukács Rita: *Hogyan jelenítse meg egy márka a társadalmi felelősségvállalást? (How does a brand represent social responsibility?)* *Marketing & Menedzsment*, 2006/4. (pg.12-19)

The advantage of this strategy is that the harmony between the company activities is maximal, but the main condition of adopting it is that the company has balanced results in all CSR areas; therefore it has to have developed strategies for environmental protection, financial, community, of management and marketing. Such examples are Body Shop or Ben & Jerry's.

The brand strategy is the most important, the assuming of responsibility being present in all company activities and areas, even from the moment when an activity is conceived.

#### **The selective strategy**

In this strategy, the company doesn't focus on assuming responsibility in all activities and areas, selecting just a few areas. This strategy is preferred by the companies which don't have outstanding results in all fields of activity, therefore it wouldn't be able to develop an integrated strategy, or by the companies which operate on markets in which only several well defined segments of consumers display an interest for the corporate social responsibility. The main advantage of this strategy is that it is a strategy of differentiation on saturated markets and that it protects the other brands or other products of the company, for which assuming CSR is not sufficiently developed. This is a strategy suitable for companies in their early CSR years, because it doesn't require too large funds, but brings large profits in the selected areas. Such example is Sainsbury's and Tesco, when they introduced in the Great Britain their brand Fairtrade, the products of this brand coming by equitable trade, from manufacturers in developing countries who don't work for minimal wages.

#### **The invisible strategy**

Even if assuming social responsibility has marketing and communication objectives, there are companies which don't boast with their CSR activities. Such an example is Hennes&Mauritz (H&M), which fits all the high criteria and expectations from a responsible company, yet there is no CSR in its communications. Even if CSR has an important strategic and ideological role in the commercial policy of the company, it is not used as marketing strategy because the company leaders claim that the people buy H&M products for their high quality at affordable prices, not because the company is assuming social responsibilities. In this case, CSR has a long-term effect, building continuously the trust in the brand and company.

**ISO 9001-14001 implementation at the microeconomic level**

A first alternative to the eco-systemic management is represented by the international standards ISO 9001-14001, which are not yet compulsory. We may call this alternative, the traditional alternative. We might have selected EMAS implementation as alternative, but there are no examples of implementation in Romania.

Table 1 shows a comparison between the two standards; it can be seen that EMAS would have been more interesting as alternative to the eco-systemic management.

**Table no.1**  
**Comparison of Emas and ISO 14001<sup>11</sup> standards**

<b>Emas</b>	<b>ISO 14001</b>
EU regulation (1836/29.06.1993)	International standard -1996
Applied only in the EU	Applied worldwide
Restrictive only to industrial locations	Applicable to activities, services, products and to non-industrial activities (local administration)
Requires and initial evaluation of the environmental impact	The preliminary environmental analysis is not compulsory
Continuous improvement of the environmental performance at the level of the top technologies at the particular moment.	Continuous improvement of SMM reflected by the increasing environmental performance
Requires a public environmental statement and allows access to the environmental policy and program.	Suggests external communication but it is up to the company to decide the content of information; requires public access only to the environmental policy
The time interval between the environmental audits must not exceed 3 years	The frequency of environmental audits is specified
The environmental management system requires the existence of a logbook of environmental effects.	No such requirement

The diagrams below (Figures 4, 5, 6 and 7) were drawn up based on data collected by Reinhard Pegleu<sup>12</sup>, and the advantages of implementing **ISO 9001-14001** are shown clearly.

<sup>11</sup> Florina Bran and Vladimir Rojanschi: *Environmental policies and strategies*, Economic Press, 2002.

<sup>12</sup> Reinhard Pegleu: *The worldwide statistical date of ISO 14001 and EMAS*.

Figure no. 4

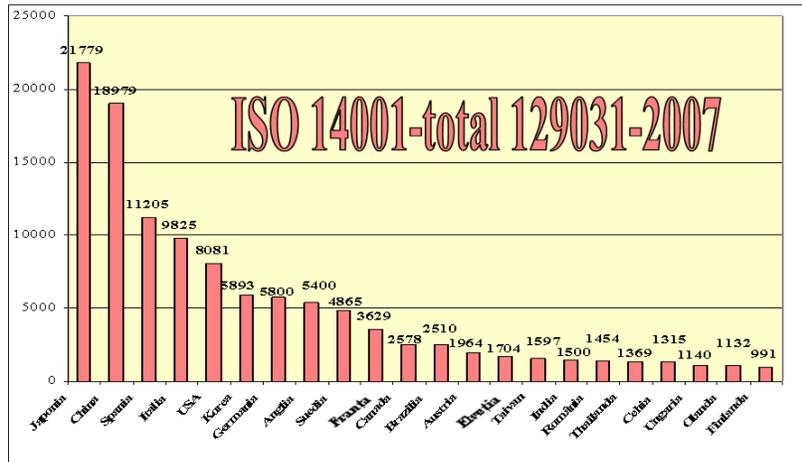


Figure no. 5

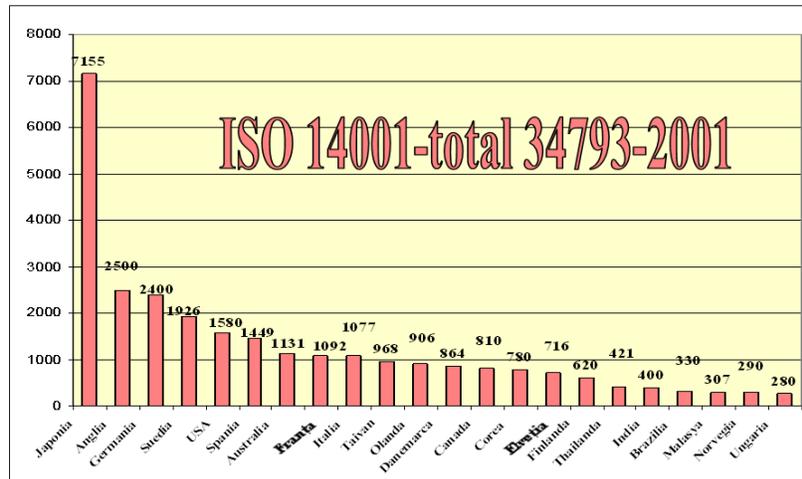


Figure no. 6

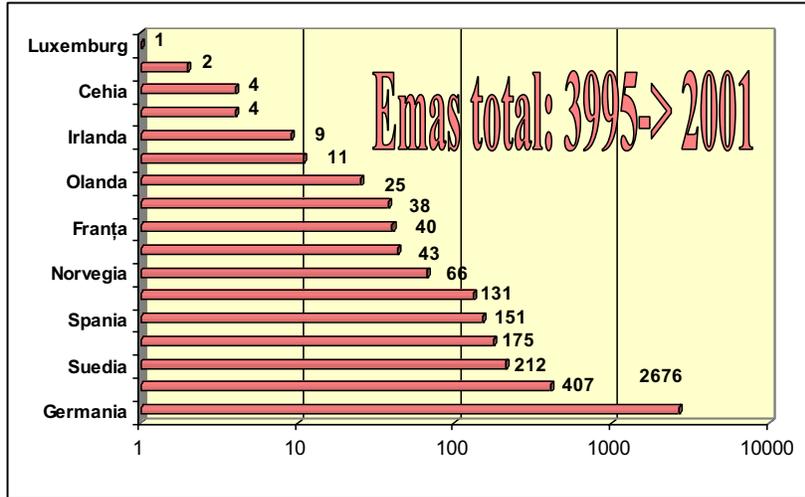
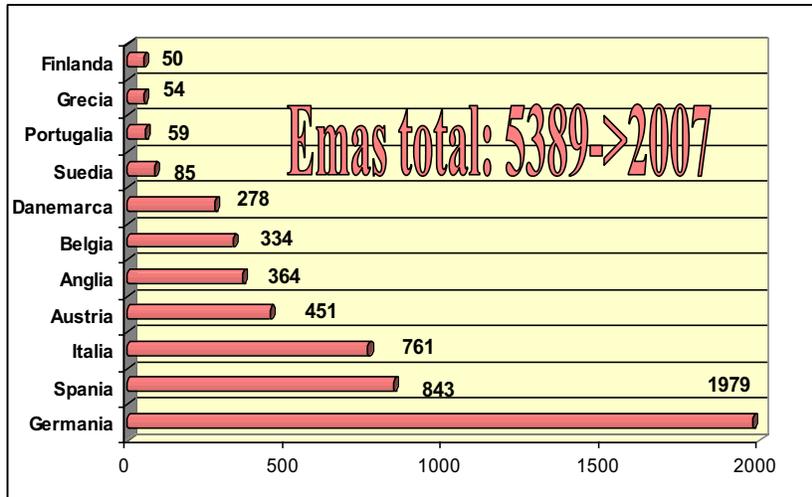


Figure no.7



**The advantages of implementing ISO 9001-14001 are:**

1. **Economic:** because it uses energy more carefully, it contributes to a higher economy concerning water consumption, stimulates waste recycling and new alternatives of economy. The fact that the company leaves behind less toxic waste is another advantage not just for the environment, but also for the company due to lower taxes and penalties.
2. **An improved relationship with the authorities,** in the near future, for the companies implementing the environmental management. This improvement will be felt through subsidies, benefits.
3. **More fluent supplying in the future.** The supplies will depend on environmental certificates such as ISO, because the suppliers will demand the proof for environmental quality and responsibility.
4. **Gaining new market segments.** In the “cake” of the economic market, the “**green slice**” becomes increasingly larger because the buyers too, are more attentive to what they buy.
5. **Increase of company’s value.** The market value of the enterprises increases in the case of buying/selling or merging, either by fusion, or by absorption.
6. **Better management** because of the performing management system, because the data are updated permanently, evaluated periodically; a thorough communication with the customers develops.
7. **Products and services quality** will be ensured and developed so as to become more natural.
8. **Development of the technological innovation,** which means new products under better conditions and environmentally friendly.
9. **Better funding from the credit institutions.**
10. **Higher motivation of the employees,** by a healthier working environment, a higher workplace safety.
11. **A new life style,** in harmony with the environment.
12. **Ensure the conditions of development for the future generations, implicitly of the sustainable development.**

### Conclusions

The environmental advisors are increasingly interested by the alternatives to the eco-systemic management. For the leaders of the small and medium enterprises, everything connected to the environment still sounds scary. In general, the environmental specialists are interested to solve the problems starting from the global ones, to the regional ones. We can rarely find documentations on environmental protection dealing with the behaviour of the small companies. Environmental protection is considered by most managers as something useless, "money thrown out on the window"; they are thinking on a very short-period term, not on the medium- and long-term, or in perspective.

The offer of this paper for the small and medium enterprises is the implementation of CSR instruments. The international standards are part of the set of CSR instruments; a link is thus established between economy and environment, showing few alternatives for the SMEs.

Many times, the managers say that a small company has not enough capacity for development, that the implementation of CSR instruments, or the technological endowment are not beneficial because the company can not afford such investments, or even a consistent bank credit. However, there are alternatives for the enterprises (SMEs particularly), such as merging by fusion or absorption, which, as some researchers say, are unavoidable in the EU.

### References

1. Paul Bran: *Economica valorii (Economy of value)*, Digital library, A.S.E.
2. Costel Negrei: *Economia și politica mediului (Economy and environmental policy)*, ASE Press, Bucharest, 2004, pag.14.
3. Crăciun Dan: *Etica în afaceri (Ethics in business)*, Bucharest, 2005;
4. Carrol (1991), cited by Crăciun Dan, *Etica în afaceri (Ethics in business)*, Bucharest, 2005.
5. Oprea Luminița: *Responsabilitate socială corporatistă, (Corporatist social responsibility)* Tritonic Press, Bucharest, 2005.
6. Pop D. Marius: *Fișe de marketing (Marketing cards)*, Alma Mater Press, Cluj-Napoca, 2002.

7. Florina Bran and Vladimir Rojanschi: Politici și strategii de mediu (*Environmental policies and strategies*), Economic Press 2002.
8. Brealy-Myers: Fundamentals of corporate finance/Bp. 2005 Panem pg. 986-1043.
9. Myers, S.C.: A Framework for Evaluating Mergers, Modern Developments in Financial Management, New York 1976.
10. Vladimir Rojanschi, Florina Bran, Politici și strategii de mediu (*Environmental policies and strategies*), Economic Press, 2002.