

**BUSINESS ETHICS AND CORPORATE SOCIAL RESPONSIBILITY ATTITUDES
AMONG SME LEADERS IN ROMANIA***Samuel ECHEVARRIA-CRUZ¹**Sebastian VADUVA²**Ioan FOTEA³**Daniel NEAGOIE⁴*

ABSTRACT

This paper investigates current trends in attitudes towards business ethics and corporate social responsibility (CSR) among a sample of Romanian SMEs leaders (SMEs less than €2 million yearly revenue and less than 250 employees). A select sample of items drawn from the Attitude towards Business Ethics Questionnaire (ATBEQ) and Attitudes towards Corporate Social Responsibility Questionnaire (ATCSRQ) along with other demographic and cultural questions were fielded during the summer of 2014. Eleven items were selected from the ATBEQ and 10 from the ATCSRQ. The resultant sample size of 413 is analyzed in order to record the level of ethics and CSR attitudes among a sample of Romanian SME leaders in order to direct future research on improving ethical and CSR attitudes in the Romanian business community. Results show strong overall support for positive attitudes toward business ethical and corporate social responsibility. Exceptions include a 41% agreement that competition creates difficulties in making ethical decisions and 60% neutral and agreement that companies that ignore CSR can attain a competitive advantage. We conclude that although business ethical and CSR attitudes are high among this sample, the perception of implementation is one of challenges and pessimism.

KEYWORDS: *Romania, Business Ethics, Corporate Social Responsibility, Leadership Ethics Small-to-Medium Enterprises, ATBEQ, ATCSRQ.*

JEL CLASSIFICATION: *M14.*

1. INTRODUCTION

To date there has been little research on an overwhelming important topic in Romania: the impact of business ethics and corporate social responsibility on the current and future state of the Romanian economy (Ionescu, 2014; Shera et al., 2014). Extant research has attempted to focus on various aspects of both business ethics and corporate social responsibility for both Romania and the larger context of Eastern Europe in relation to corruption and other ethical dimensions (Iamandi, 2011; Iamandi et al., 2010; Lefter & Mureş an, 2010; Miron et al., 2011; Şerbănică et al., 2008; Tsalikis & Seaton, 2008). What may be lacking is the application of new paradigms of leadership ethics on the reality of Romanian SME leader attitudes concerning business ethics and corporate social responsibility. In an effort to expand the empirical knowledge of these issues we present preliminary data from a recent pilot study focusing on Romanian SME leader attitudes within both dimensions of business ethics and corporate social responsibility.

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2. LITERATURE REVIEW

The positive impact of ethical leadership on organizations has been increasingly well documented. We define ethical leadership as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making” (Brown et al., 2005, p. 120). The dimensions of positive impact range from job performance (Bello, 2012; Bouckennooghe et al., 2015), employee commitment to the organization and supervisor (Brown et al., 2005; Hansen et al., 2013), job security (Loi et al., 2012) and task significance, job autonomy and effort (Piccolo et al., 2010). There is also evidence that these results are cross-cultural in nature (Resick et al., 2011).

Concerning growing research on corporate social responsibility, there are still a paucity of studies that focus on the role of ethical leadership and the relationship to corporate social responsibility. This reality lies in contrast to the strong research connection between high levels of corporate social responsibility and a spate of positive firm outcomes such as organizational reputation, improved competitive advantage and attractiveness to investors (for a review see Aguinis & Glavas, 2012). Following Aguinis (2011), we define corporate social responsibility as “context-specific organizational actions and policies that take into account stakeholders’ expectations and the triple bottom line of economic, social, and environmental performance” (p. 855). There is also research that investigates relationship between ethical leadership and corporate social responsibility, an area that needs increased attention and one that we hope to contribute to in the near future (Choi et al., 2015; Wu, 2014).

2. METHOD

2.1. Sample and Procedures

The study presented in this paper was conducted between the 27th of May and the 26th of June 2014. The methodology used for gathering the answers was an online questionnaire, which was sent to a selected sample via email invitation. In order to select our sample, we purchased a Romanian List of Companies database that includes all registered companies in Romania in 2013, with their official information updated at the end of 2013, recorded by the Romanian Ministry of Finance at the end of the same year. Inclusion into the sample for our study, included all companies with a turnover under 2 million euros and less than 250 employees. From all the registered companies in Romania in 2013 the numbers of companies that met this criteria numbered 47,275 companies. All sample companies received an invitation via email to the leader of the firm with the corresponding number of respondents equaling 413 completed surveys. English items were double-translated through both Romanian academic colleagues and a private translation company to ensure accuracy of item translation.

2.2. Measures

We captured attitudes toward business ethics and corporate social responsibility using items from two well-attested questions sets, the Attitude towards Business Ethics Questionnaire (ATBEQ) and the Attitudes towards Corporate Social Responsibility Questionnaire (ATCSRQ) (for challenges to measuring ethics, see Perryer & Scott-Ladd, 2014) (Abdul & Ibrahim, 2012; Bageac et al. 2011; Fatoki & Chiliya, 2012; Moore & Radloff, 1996; Rajasekar & Simpson, 2014; Sims & Gegez, 2004; Small, 1992). In order to minimize respondent fatigue we utilized a subset of items from each questionnaire in an initial attempt to gauge response effectiveness for each item. Responses can range on a 5-point scale from (1) = Strongly Disagree to (5) = Strongly Agree.

Also included were a set of questions on “intrinsic” business goals and ideals to begin to research the link between different perspective orientations in terms of business goals, especially among this sample of small SMEs. Respondent were asked to identify the two most important goals among the

list of choices given referencing three perspectives: themselves as businesspersons, in reference to Romanian businessmen in general and finally for the ideal institution of business itself. Secondly, we asked about source of value orientations and their importance in determining business goals (ranging from (1) = "Not at All" to (7) = "It Absolutely Influences It"). Lastly, we included a list of firm and respondent-level characteristics to further study these correlations.

3. RESULTS

Table 1 presents the firm and respondent characteristics. Working through the firm statistics, we see that outside of Romania, 35% of firms had a market in the EU. Half of all firms employed 5-19 employees while roughly 65% of all firms were located in four industries: service, industry/production, retail/wholesale and construction/moving. Moving to turnover, there is an even distribution across all categories of turnover from our sample.

In terms of respondent characteristics, the majority indicate Orthodox faith, university-level or greater education and aged 40 to 60 years old. The majority of respondents are males while almost two-thirds indicate they are either the owner/association-owners and/or the head administrator. Respondents could indicate multiple roles so future analysis will identify the relationships found within this variable.

Table 1. SME and Respondent Characteristics

SME		Respondent	
Characteristics	%	Characteristics	%
Business Markets		Religious Affiliation	
Romania	98.1	Baptist	2.9
European Union	35.4	Reformed	3.6
China	2.9	Roman Catholic	4.4
USA	4.6	Orthodox	76.5
Turkey	4.6	Greek Catholic	2.4
Arab Countries	1.5	Pentecostal	1.0
India	1.7	Other	5.3
Brazil	1.0	Prefer not respond	3.9
Other	5.3		
Number of Employees		Education	
1-4	25.7	High School	12.8
5-19	50.1	University	55.9
20-99	20.6	Masters	23.0
100-199	1.2	Doctorate	3.6
200-249	0.5	Other	4.6
250+	1.9		
Turnover (Euros)		Sex	
< 50,000	9.2	Male	76.0
50,001 – 100,000	15.7	Female	24.0
100,001 – 200,000	20.3		
200,001 – 500,000	25.9	Position	
500,001 – 1 million	17.9	Owner/Associate	67.6
1 mil – 3 mil	8.0	Administrator	63.0
> 3 mil	2.9	General Director	28.3
Industry (National %)		D/M Marketing	3.9
Banking and Finance	1.0	D/M Production	3.9
Chemicals	1.0	D/M Finance	4.8

Construction/Moving (10%)	12.6	D/M Sales	3.4
Food/Agriculture	5.3	Director Accounting	1.9
Industry/Production (10%)	17.4	Director IT	0.7
IT	5.1	Board of Directors	2.7
Pharma/Health	4.1	Other	2.2
Energy/Minerals	0.7		
Publishing/Printing	1.5	Age	
R&D/New Tech	0.5	< 25	0.2
Retail/Wholesale (38%)	14.0	25 – 29	3.1
Service (22%)	22.8	30 – 39	16.0
Telecom/Media	1.5	40 – 49	35.4
Tourism	2.2	50 – 60	35.8
Transportation	4.1	61+	9.4
Other	6.3		

Source: Emanuel University of Oradea Survey of Business Ethics and CSR Attitudes
N=413

Turning to table 2, we see the results from our business purpose/goal question. Within this question set, respondents were asked to only select their top two choices from each column in reference to their opinion of the most important intrinsic business goals/purposes. Moving from right to left, we see values for responses related to the goal/purpose was important to the respondent “For me as a businessman” then “For Romanian businessmen in general and finally “Ideally for the business institution”. We will refer to these as “personal”, “Romanian”, and “Ideal” perspectives for ease of discussion. The table is sorted to account for the most frequent responses in reference to the respondent’s view of their personal business perspective. Optimization of benefits and profit-making are the top two responses, accounting for 56% and 45% of all selections respectively. Although one might question the lack of a complete consensus on one or both of these responses, it is possible that a high correlation in their meaning might have constrained both responses to lower responses (meaning a respondent, thinking them both similar in meaning may have only selected one and not the other item). Further analysis will tease out this possibility. There seems to be a trend to this response set that focuses on the business itself and the current workers and less on expanding the business and impacts on the community. Of curiosity is the final item (statement #8 on maximizing wealth). Only 14% of respondents selected this item.

Table 2. Business Purposes Opinions – Percent Distributions

Fundamental and Intrinsic Business Goals & Purposes	For me as a businessman	For Romanian businessmen in general	Ideally for the business institution
To optimize / maximize benefits for all stakeholders (owners, customers, employees, suppliers, etc.)	56	21	43
To make a profit	45	56	39
To provide opportunities for creative and meaningful work (to bring a state of fulfillment to the worker)	38	11	32
To provide products / services that somebody is willing to pay for	36	38	37

To produce goods and services to enable the community to thrive	35	19	49
To create jobs	25	15	36
To solve a problem (in society)	22	10	31
To maximize wealth (money income) for owners	14	42	22

Note: Respondents were asked to select two choices from each column-set of responses.

Source: Emanuel University of Oradea Survey of Business Ethics and CSR Attitudes

What is most interesting is moving to comparative analysis of perspectives. When the question focuses on the population of Romanian business leaders, selections change. While making a profit becomes the most selected item within this dimension at 56%, the second (at 42%) was maximizing wealth for owners (the item that scored last for a personal perspective). There does seem to be a cognitive shift in responses that indicate this is a meaningful distinction. Additionally, where 38% of personal responses indicate support for statement #3 concerning opportunities for creative and meaningful work, only 11% of respondents thought this same statement applied to all Romanian business leaders. Finally, in reference to the ideal, there is more diversity as to the intrinsic goals and purposes respondents indicate support for with the highest value (49%) referring to statement # 5: produce good and services that enable the community to thrive.

Table 3 displays the responses for an item that asks the influence of values on business purposes and goals. Of the four given choices and given the Likert-type response values utilized, both family and national culture score the highest marks on perceived value influence (49% and 45% respectively for the highest two scores). Conversely, ethnic culture and religion score the lowest influence marks, where 39% and 46% of respondents rate these two value sources at the lowest two scores possible.

**Table 3. Influence of Values on Fundamental/Intrinsic Business Purposes
Percent Distribution and Means**

Values	(1)	(2)	(3)	(4)	(5)	(6)	(7)	Mean
Family	2	3	9	16	21	26	23	5.2
National culture	7	6	14	22	17	20	15	4.6
Ethnic culture	23	16	15	15	14	10	8	3.4
Religion and faith	28	18	11	11	12	11	10	3.3

(1) = "Not at All" to (7) = "It Absolutely Influences It"

Source: Emanuel University of Oradea Survey of Business Ethics and CSR Attitudes
N=413

Table 4 reports the results from our reduced ATBEQ scale (11 items) in both percentage distributions as well as mean scores for the 5-point response scale. Beginning with item #1, 94% of respondents indicate the understanding that business success does not eliminate moral issues (select strong disagree or disagree to the statement). Approximately 80% of respondents also disagree with the statements that moral and ethical values are irrelevant for business while another 80% indicate disagreement that business ethics are only for image purposes. Additionally, 68% indicate disagreement that profit should supersede ethics while 58% disagree that there exist two ethical

standards: a personal and professional one. For item #7, 67% of respondents indicate neutral to positive agreement to the statement contrasting economic reality and moral philosophy. Along the same dimensions, 87% indicate the same neutral to positive response to the general statement that “a good businessman is a successful businessman”. In terms of profit and ethics, 92% indicate agreement that ethics and profit are long-term correlated while only 21% state disagreement with the statement “Act in accordance with the law and you will not fail in ethics”. Finally, 43% of respondents do agree that competitive pressures make ethical decisions more difficult (61% if you include the neutral response).

**Table 4. Agreement Attitudes towards Business Ethics
Percent Distributions and Means**

Business Ethics	(1)	(2)	(3)	(4)	(5)	Mean
1. A person doing well in business does not have to worry about moral issues.	57	37	3	1	1	1.5
2. Moral values are irrelevant for the business environment.	45	39	9	6	1	1.8
3. Ethical values are irrelevant to the business model.	42	37	11	7	2	1.9
4. "Business Ethics" is a useful concept only to present a good image.	40	40	8	8	3	1.9
5. The main concern of the manager of a company is primarily to make a profit and ethics comes second.	36	32	16	13	3	2.1
6. The ordinary manager has two ethical standards: one for private life and one for professional life.	23	35	19	15	7	2.5
7. Business decisions involve a realistic economic attitude and not a moral philosophy.	7	27	29	27	11	3.1
8. A good businessman is a successful businessman.	2	11	35	37	15	3.5
9. Healthy ethics is a long term profitable matter.	1	1	6	48	44	4.3
10. Act in accordance with the law and you will not fail in ethics.	4	17	28	34	17	3.4
11. In the business world it is difficult to make ethical decisions due to high competitive pressure.	6	24	28	36	7	3.1

(1) = Strongly Disagree to (5) = Strongly Agree

Source: Emanuel University of Oradea Survey of Business Ethics and CSR Attitudes
N=413

Table 5 continues the exploration of this pilot data by reporting the results from our ATCSRQ set by percentage distributions and means scores. Ten items were presented to respondents for their agreement or disagreement on a 5-point scale. Similar levels of agreement are shown for the first two items, where almost 90% agree that a company’s community involvement will result in improved long-term profitability and the need for social responsible is tied to a favorable public image (86% and 89% respectively). Slightly lower percentages were found for the following two items: CSR can serve economic interests of shareholders and CSR can help discourage irresponsible behavior (78% and 75% respectively). Only roughly 58% of respondents agree that companies are expected to do more than efficiently produce good/service and that companies should reach for the standards of society. In addition, 48% indicate agreement that increased CSR will result in decreased governmental regulation. When referring to the statement that it is not wise to allow companies to participate in social activities without accountability, only 43% agree while only 40% agree that the public will support increased CSR because companies will incorporate these costs into the price of products/services. Finally, a full 28% agree (60% including neutral) with item #10, that ignoring CSR can give a company a competitive advantage.

Table 5. Attitudes towards CSR Percent Distributions and Means

Business Ethics	(1)	(2)	(3)	(4)	(5)	Mean
1. A company's involvement in the community will improve quality of life and improve their long-term profitability.	0	2	11	55	31	4.2
2. A company that wants to display a favorable public image will need to demonstrate that it is socially responsible.	0	1	9	64	25	4.1
3. Socially responsible corporate behavior can serve the economic interests of shareholders / owners of the company.	0	2	20	60	18	3.9
4. The idea of social responsibility is required to maintain a balance between the company's strength and discouraging irresponsible behavior.	1	3	21	56	19	3.9
5. An efficient production of goods and services is no longer the only thing that society expects from companies.	2	10	19	51	17	3.7
6. Companies are social institutions and, as such, should reach the standards of society.	3	14	28	38	18	3.5
7. When companies are more socially responsible, they will discourage additional regulation of the economic system of government.	7	16	30	33	15	3.3

8. It is not wise to allow companies to participate in social activities where there is no direct way for them to be held accountable for their actions.	7	19	32	33	10	3.2
9. Consumers and the general buying public will support the costs of social involvement, because companies will incorporate these costs into the price of products and services.	8	25	27	31	9	3.1
10. A company that ignores corporate social responsibility can achieve a competitive advantage over one that does not ignore it.	10	29	32	23	5	2.9

(1) = Strongly Disagree to (5) = Strongly Agree

Source: Emanuel University of Oradea Survey of Business Ethics and CSR Attitudes
N=413

4. DISCUSSION

Given the preliminary goal of reporting the results from this pilot study, we are interested in many possible paths of research inquiry. Of special interest are responses that indicate differential understandings of business ethics and CSR as well as overall perceptions of business goals and purposes. For example, the data for Table 2 indicate an interesting point of further study. There does seem to be a differential relative to reference points regarding business goal perceptions. Overall, respondents tend to rate themselves as in much more social conscious ways versus their Romanian counterparts. In actuality, when comparing the three dimensions of rating references (personal, Romanian and the ideal), respondents tend to rate themselves equally between the personal and ideal frames of reference while somewhat more negatively viewing Romania counterparts (or at least they seem to rate Romanian counterpart views of business goals in more utilitarian concepts and less socially altruistic ones).

In regards to value systems, even with 90% of respondent indicating a religious denomination affiliation, religion is the least influential value system (together with ethnic culture) relative to family and national culture value systems.

Moving to business ethics and CSR attitudes what is most apparent is although there is strong support for ethical concepts in the abstract, the most challenging aspect of both attitude domains involves the perception that high ethical standards are more difficult given competitive pressures along with the statement that ignoring CSR can increase competitive advantage. Both of these statement, take in conjunction with the strong support for strong ethical and CSR business realities, lead to the conclusion that the Romanian business milieu is one where ethical and CSR challenges are still a perceived reality.

5. CONCLUSIONS

As we continue to build upon the work of others who have identified the important of developing empirical approaches to leadership ethics research, we are excited about the possibilities of both further study of this dataset but of adequately ensuring the validity of these items for a much larger data collection effort among Romania SMEs Choi et al., 2015; Wu, 2014). We look forward to analyzing items to uncover constructs that might bring about more parsimonious analytical strategies as well as allow for the inclusion of multivariate approaches.

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