

# MANAGERS AND ENGINEER ECONOMISTS BETWEEN SOCIAL RESPONSIBILITY OF OIL CORPORATIONS AND THE DEVELOPMENT OF THE SOCIAL ECONOMY

Liliana Doina MĂGDOIU<sup>1</sup>, Ioan Constantin RADA<sup>2</sup>, Nicolina Florina MAGHIAR<sup>3</sup>

<sup>1</sup>Universitatea din Oradea, [lili34ana@yahoo.com](mailto:lili34ana@yahoo.com)

<sup>2</sup>Universitatea din Oradea, [ic\\_rada@yahoo.com](mailto:ic_rada@yahoo.com)

<sup>3</sup>Universitatea din Oradea, [nicolina\\_maghiar@yahoo.com](mailto:nicolina_maghiar@yahoo.com)

**Abstract** — The bold evolution of shock therapy applied after the 90's favored the selling of state companies in the oil industry in Romania. Although the stated purpose of this action was to build a completely new economy, however, they succeeded in deepening the economic disaster after this stage: the impoverishment of the population, the loss of jobs, deepening of social problems and worsening of situation in case of hopeless people.

Corporate social responsibility, although it is a concept whereby companies commit themselves to improve environmental performance and/or social obligations beyond legal, yet corporate behavior in the oil field in Romania do not meet society's expectations.

Social economy implies that social enterprises and non-governmental organizations (NGOs) do business in order to provide the resources necessary to carry out social missions. Managers and economical engineers undertake activities in the social economy both as entrepreneurs, and managers of social responsibility for various corporations.

**Keywords**— development of social economy, managers and economical engineers, corporate social responsibility

## I. INTRODUCTION

**T**HE shock therapy applied to Romanian economy after the events at the end of 1989, decimated industry and installed a new regime favoring the selling of state companies in the oil sector in Romania [1], [2], [3].

Subsequently the investment capacity of the foreign was increased and richly subsidized by the Romanian representatives, through privatization contracts causing damages for the country, including historical debt payment burden for environmental pollution. They began to represent the private sector manages to profit. Although the stated purpose of this action was to build an entirely new economy, yet they managed to deepen the economic disaster dating before these years, the impoverishment of the population, the loss of jobs,

deepening social problems, worsening the situation of

persons deprived of hope. The World Bank's motto: "Our dream is a world without poverty", and in the middle of the 13-storey high atrium is a statue of a boy who accompanies an old blind, memorial raised for the eradication of the disease called river blindness (onchocerciasis) has been solved by the eradication of this disease in Africa only after unifying the efforts of the World Bank, World Health Organization Bank and other institutions [4].

Corporate social responsibility, although it is a concept whereby companies commit themselves to improve environmental performance and/or social obligations beyond legal, yet corporate behavior in the oil field in Romania do not meet society's expectations. There are still remnants of the concept that the payment of corporate social responsibility would be a promotion of its own interests and that this responsibility is dangerous because it constrains opportunities for profit. The current issue is whether responsibility can be profitable for corporate performance on the environment and society, even if oil companies are required by law to practice environmental management [1].

Everyone agrees that there should be a strong legal state, but it matters what kind of laws there are [5]. There is still no law in Romania on social economy. Growing inequality combined with a flawed regulatory system leads to deepening the suffering of those with social problem [2], [3], [4].

Oil corporations benefit from Romanian society members, who are truly the owners of oil resources and the consequences of their work, so they have some debt of gratitude to the society that allows them to exist and function. Corporate social responsibility as a business requires to run social programs to generate profits for the company. Social economy implies that social businesses and NGOs (non-governmental organizations) to do

business in order to assure resources for their social missions.

Managers and economical engineers undertake activities in the social economy both as entrepreneurs and as managers of social responsibility for various corporations.

## II. SOCIAL RESPONSIBILITY OF OIL CORPORATIONS IN ROMANIA

Oil corporations from society, from its members being the resource owners, in their oil business consume these resources; on the other hand, members of society are buyers of products and services of the corporations. In this context, oil companies benefit from the company and they have some debt of gratitude to the Romanian society. Responsibility means to be aware and take into account the consequences of their actions and the direct link is action by which a person or organization is responsible for proving that [1], [6].

Corporate social responsibility refers to the management of impact produced by the company on its partners of interest, the environment and the communities they serve. It expresses their corporate obligations to other groups in society than shareholders, obligations going beyond the requirements of the law or the letter of the contract, thus a voluntary action beyond the law.

Actions induce socially responsible oil company initiating a competitive advantage and reflect a win-win situation for society as a whole and for the company. Social responsibility activities communicated properly act as a real image. The company benefits of cheaper advertising, it does not fall under chapter of commercial publicity (advertising); the publicity is more efficient. The author of the public discourse no longer coincides with the object of interference as in case of advertising.

Specialists in the management of corporate social responsibility (CSR) have identified several types of corporate response to social problems:

- 1) *amoral organization - "Win at all costs";*
- 2) *egalistic organization - "obey the law";*
- 3) *reactive organization - "Ethics is profitable"*
- 4) *ethics organization in formation - "do what is correct"*
- 5) *ethical organization - "Integrates ethics with the economy" [1], [6].*

Fitting in one type of response, oil corporation through its social responsibility benefits from increased corporate reputation among its various publics and identity management company. Reputation affects its recruitment, purchases and sales, cooperation agreements, including share price.

The CSR orientation of Romanian petroleum companies, as shown in the table below, does not contain all the companies which have the main object of activity: the extraction, processing and marketing of oil based products. There are not included the LLCs that have a minimum share capital required by law of 200 lei and

that realize huge incomes comparatively to their capital. These small profits and often unreported. They declare their social responsibility, do not pay for such employment and do not have their own websites.

TABLE I  
 ORIENTATION OF OIL CORPORATIONS IN ROMANIA CONCERNING CSR

| Corporation                                     | CSR orientation   | Sums paid for CSR   |
|---|---|---|
| PETROM [7]                                      | Responsibility towards employees, customers, suppliers, community and the environment;<br>Projects "Parks Future" (environment)<br>Image campaigns;<br>Marketing Campaigns<br>CSR campaigns:<br>"Rediscovery of Romania",<br>"Andrei's Country",<br>"identity", "Resources for the Future";<br>environmental Management | Insignificant compared to the profits made, for example, said profit for 2013 more than one million euros, 200,000 euros for "Romanians who want to demonstrate that it is possible"; Said profit in 2012 almost one million euros, 320,000 10 social enterprises within "Andrei's Country" |
| UPETROM GROUP [8]                               | Respect for the community: continuous improvement of relations with the community in which it operates;<br>Interaction with employees, shareholders, customers and partners;<br>Caring for the environment;<br>Show a continuing concern for social projects: education, culture, civic behavior and social events      | Insignificant compared to the profits made  |
| LUKOIL ROMANIA (declared market share: 20%) [9] | environment<br>"We are not indifferent"<br>Lukoil campaigns which helped 10 children's homes and orphanages;<br>Donations to children's hospitals;<br>Donations to clinical institute   | Insignificant compared to the profits made  |
| ROMPETROL ROMANIA [10]                          | Environmental responsibility;<br>Energy Platform living from the heart including "Together for everyone";<br>Other separate programs in the fields of health and environmental protection   | Insignificant compared to the profits made  |

Through social responsibility management, oil corporations are partners in the local community where they share interests in seeking opportunities to win and they and the community; discover what contributions might have on community development; provides community spaces of interest to the community when

they no longer use (e.g. sports facilities, parking, training and / or meetings of associations and local NGOs); supporting certain organizations or community development actions (e.g. support for social projects initiated by employees Petroleum Corporation); calling the local labor market for human resource recruitment in the community; initiate projects that all parties cooperate.

Corporate social responsibility is a provider of resources for social and economic development while a beneficiary of the image by the action of social enterprises [11].

### III. MANAGEMENT OF ECONOMICAL ENGINEERS IN SOCIAL ENTERPRISES

Corporate social responsibility requires that oil business run social programs to generate profits for the economy [12], [13].

Social economy implies that social enterprises and NGOs do business in order to provide the resources necessary to fulfill their social mission. Social entrepreneurship involves initiatives to pursue social objectives through specific instruments business world. Social enterprises create jobs for disadvantaged persons in the areas of interest of oil corporations; provides a wide range of goods and services hopeless groups or communities, contribute to solving environmental problems and generate revenue for organizations.

Managers and economical engineers are faced with the situation to strengthen their protection system available to the entrepreneurs, managers, members, directors of social affairs, take into account that the government will increase income tax systems. It is known that of globalization, the transition to another economic system based on private ownership, technological changes and other forces have suffered the poorest people and in terms of the company, the most deprived areas. The role of managers and engineers, business economists, in the social economy is to create and lead socially well-structured companies where employees, information technology and tools produce goods that are distributed to people without hope or disadvantaged areas.

The organizational theory, which is the study of the structures and their branches, provides valuable insights on the production and marketing channels through which such social enterprises act as an important part of business administration in partnership with oil corporations.

Managers also have come to realize that people take individual or group may not always behave according to rational principles. Conflicts within the normal firms, economists and managers and engineers must have skills to anticipate and resolve conflicts constructively, they are recognized as two of the essential roles of management, knowing that power and influence are not automatically transmit organization from top to bottom.

Social economy enterprise being developed by managers and economical engineers will not be

characterized by dimensions or sectors that will work, but by fulfilling values. At the same time play an important role in supporting the objectives set by government policies.

This anme is preferred because of the lack of regulations in the Romanian legislation of certain forms distinct organization of economic activities undertaken.

They have a specific form of entrepreneurship such as cooperatives, NGOs etc.

Managers and economical engineers can offer the creation of new business ideas, adapted to the context of the local economy, business as innovative, first, because they not only are initiated and carried out by people from vulnerable groups, but uses as employees, all people from these vulnerable groups. The profits from the operation of such business, use on the one hand, both for their development (which will generate employment, social inclusion, higher incomes) and to solve local social problems.

An oil corporation can collaborate with managers and economical engineers such as entrepreneurs or social business entrepreneurs and engaging management and corporate social responsibility [13].

Collaboration with social entrepreneurs is done by:

1) *responsible procurement - social and green procurement. Besides the jobs they create in the community, oil corporations support creating some, keeping us in the social enterprise suppliers. For example, the collection of packaging waste recycled to trust licensed social enterprises that have employees who come from among some vulnerable groups; or training employees entrusts an NGO or social enterprise with proven experience in the field.*

2) *start-up funding costs and alleviating the correct assessment of a business plan of a social entrepreneur, investor by returning it, it is a form of loan or advance payment or providing equipment, material or services / utilities with a pay term.*

3) *strategic business partnerships through joint venture so as to be allowed to recover the investment and at the same time to help social enterprises to gain revenue. Example: Conduct construction that oil corporation to contribute facilities/equipment/ material in its possession, and social organization of labor.*

4) *facilitating access of corporate employees to oil products and services to social enterprises on favorable terms, thus proving Liability Corporation both to their employees and to the community. Example: providing holiday gifts, handicraft products, organic food product supply price by the manufacturer; medical assessment in non-profit clinics [6].*

The economic environment in the business of petroleum products can encourage social enterprise or support those already established, to include strategies for Corporate Social Responsibility measures that may contribute directly or in directly to the development of social economy. Procurement activities they carry out,

take into account the social involvement of the supplier. Social economic development projects take account of collaboration with local authorities and civil society.

The economic environment can have a number of advantages as a result of social development such as helping to reduce poverty, increase the living standards of the local community, encourage increased consumption of products / services. Involving corporations in specific social activities, develop a new kind of entrepreneurship - entrepreneurship responsible - and create a business environment.

Responsible and ethical entrepreneurship attracts new consumers, contributing at the same time motivating employees.

Managers and economical engineers as entrepreneurs in the social economy should be aware vulnerable groups from different communities and needs. Taken into account the fact that human need is a state of awareness of the lack of basic satisfaction: the need for food, clothing, shelter, safety, improvement or eradication dezabilităților (autism, diabetes, cancer, musculoskeletal, etc.), etc. Desire is the aspiration towards certain things that can meet those needs. Although there are few needs, desires of an individual are numerous.

They identify these needs and desires in communities and grant funds and programs through which funding such projects. Grants may be made by the European Structural Funds, in particular the European Social Fund through various operational programs or funds of corporations through their Corporate Social Responsibility program.

Managers and economical engineers create groups in the social economy initiative, groups composed of persons belonging to vulnerable population groups, establishment of resource centers for the social economy: free advice for those who want to develop a social enterprise; development of information and promotion activities such as meetings between local authorities and the representatives of the local social economy to conduct exchanges of useful information for both sides (information on relevant legislation and state investment in the local economy, the situation of vulnerable groups in communities those etc.). sessions on economic and social issues for social enterprises; development of information materials on social enterprise legislation.

#### IV. CONCLUSION

The confusing context in which the management of social responsibility of oil corporations is still maintained, though, this responsibility is not required by law, from the largest corporations to small and medium enterprises (LLCs for marketing of petroleum products) choose to use this tool to mitigate its impact on the public, resource owners and buyers of products and services to improve their image to get different benefits from the state. Even where they are required by law to remedy the erosion of environment by exploiting non-renewable resources, and pollution from processing their

corporations they declare them social responsibility actions.

Profits are made only from the economic activities of corporations and the image of social responsibility actions. Profit-making corporations, especially those in Central and Eastern Europe, anemically carry a social responsibility management, sometimes only declaratively, but still insignificantly compared to the profits declared, and not vice versa, meaning they develop CSR activities to achieve profit.

Social entrepreneurs need resources and experience in business corporations, as corporations need to prove their social responsibility by the experience of social enterprises and NGOs and their image in the community.

It is evident and immanent the need of legislation for social economy.

Results of this study reflect the current orientation of social responsibility of oil corporations in Romania, as well as the opportunities of managers and economical engineers to access funds launched by them as payment of their social responsibility and their use in the development of social enterprises.

Managers and economical engineers benefit from these funds and they launch projects to establish and develop their own social enterprises.

#### REFERENCES

- [1] M. Glachant, *Corporate Social Responsibility and Profits: Friends or Foes?*, Conference "Social Sciences and Humanities facing Climate Change Challenges", Mines Paris Tech, Cerna, 22-23/09 2008.
- [2] T. Cowen, *Create your own economy: The Path to Prosperity in a Discordered World* (traducere Mihaela Sofonea), Editura Publica, 2012, Bucuresti.
- [3] N. Klein, *The Shock Doctrine* (Doctrina socului: nașterea capitalismului dezastrilor), Editura Vellant, 2008, Bucuresti.
- [4] E.J. Stiglitz, *Globalization and Its Discontes* (*Globalizarea: speranta si deziluzii*), Editura Economica, 2005, Bucuresti.
- [5] E.J. Stiglitz, – *The Prince of Inequality: How Today's Divided Society Endangers Our Future*, (traducere Smaranda Nistor), Editura Publica, Bucuresti, 2013.
- [6] N. Cuta, *Corporate social responsibility and social economy* (*Responsabilitatea sociala a intreprinderii si economia sociala*), Fundatia pentru Dezvoltarea Economiei Sociale, 2012, Craiova.
- [7] [www.petrom.ro](http://www.petrom.ro), accessed April 2014
- [8] <http://www.upetrom.com>, accessed April 2014
- [9] <http://www.lukoil.ro>, accessed April 2014
- [10] <http://www.rompetrol.ro>, accessed April 2014
- [11] E.J. Stiglitz, *Making Globalization Work* (*Mecanisme globalizarii*), Editura Polirom, 2008, Bucuresti.
- [12] L.D. Magdoiu, *Management and communication in the economics engineers* (*Management si comunicare in ingeneria economica*), Editura CA Publishing, 2012, Cluj-Napoca.
- [13] I. C. Rada, L. D. Magdoiu, *Managers and Engineer Economists in the Development of the Social Economy*, presented at the Journal of Electrical and Electronics Engineering –Volume 6/No. 1, 2013, University of Oradea Publisher.