

## **Business Competitiveness from Social Responsibility Perspective, in the Context of Knowledge-Based Economy**

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### **Abstract**

In both economic theory and practice, business competitiveness is addressed in terms of modern management, from the perspective of interrelated factors or from the view of competitiveness indicators, at individual, organizational or national level. But, whatever which level is analyzed, the concept of competitiveness of the business must be approached from the perspective of social responsibility from at least two reasons, equal powerful: competitive organizations and countries are those assuming their social responsibilities and ensuring social welfare conditions for increasing competitiveness.

**Keywords:** social responsibility, competitiveness, competitive behavior, responsible behavior, performance.

### **Introduction**

In the knowledge economy, where change is occurring at an exponential pace, affecting all actants, the competitiveness of individuals, firms and countries is the capacity and ability to refer to entities effectively realize its opportunities, taking in account the synergy created (D. Popescu, M. Popescu, & L. Crenicean, 2011). Of course, this means that the entity can use its full potential available in order to make innovations in all fields, to develop high quality products, to conduct specific activities creatively, communicate effectively with all stakeholders to ensure development resources (especially human), to provide maximum satisfaction to all those interested in conditions ensuring high performance. As such, competitive entity shall present a synergy of the elements necessary to achieve performance in a dynamic and highly competitive.

Obviously, in the context of the knowledge economy, competitive socio-economic entities are those that survive and grow under uncertainty conditions. Thus, competitiveness is becoming the desire of any country or business. In their efforts to adapt to the environment or building upon the opportunities, business organizations assume a role to their specific environment of action. Developed countries as well as performance companies have a powerful role in creating environmental conditions favoring their development.

Known is that the knowledge-based economy has generated new models of organization and economic activity and social role of business ownership, especially manifested in this context. How the knowledge economy innovation and competition are the engine of development entity, we can say that models of development based on social responsibility for innovation, at least in terms of organization, coordination, communication, products / services, marketing, networking.

Certainly, the competitiveness of organizations in the knowledge economy is determined by how organizations manage to spur technological innovation, to develop business relations, to promote and develop specialized skills type learning networks. This is because the knowledge economy is characterized by rapid change of paradigms: manufacturing processes, organization (work) and management organizations.

Research on competitiveness have shown that the existence of different definitions, studies and approaches regarding competitiveness do not provide a default mode of being competitive, neither a responsible behavior.

Although entities initiatives in social responsibility field is not news, neither competitiveness research nor competitive relationship, social responsibility, yet it requires reconsidering the concept of competitiveness in terms of social responsibility. The basic idea is the fact that the knowledge economy, socio-economic entities should conduct its activities in a responsible manner to all interested entities. In this way, entities develop a specific event in the environment, dynamically, to conduct competitive activities to maximize customer satisfaction and other stakeholders, and ensuring high performance.

For the purposes of demonstrating such assumptions at national level, has been analyzed competitiveness of developed countries, knowing that developed countries are those that have developed social policies, environmental policies and sustainable development. At the organizational level, were analyzed several companies have reported case studies on social responsibility, high performance organization that registered and are considered among the most competitive in their field.

### **National competitiveness and social responsibility**

At the societal level, competitiveness express the capacity and ability of that country to effectively use opportunities spotted and identified globally. In the concept of National Competitiveness Council of Ireland ([www.revista22.ro](http://www.revista22.ro)) national competitiveness is defined as all factors that impact on the ability of firms to compete on international markets, contributing to the quality of life of the Irish people. Under this definition, competitiveness generates social responsibilities. Thus, public policies are based with relevant indicators of

competitiveness. Annually, each country analyze the following 12 indicators of competitiveness (World Economic Forum, 2010; World Economic Forum, 2011):

- institutions or institutional environment (strategies, policies, quality, attitude of governments, corruption, transparency, the judiciary, honest practices, management of public and private financial institutions);
- infrastructure (level of development, quality, service, network);
- macroeconomics
- health and primary education (primary education and health);
- higher education and education (higher education and training);
- goods and market efficiency;
- efficiency (and flexible) labor market;
- technological development (technological readiness);
- financial market development;
- dimensions (size) market;
- complexity of the business;
- innovation.

A ranking of global competitiveness made in 2010 has shown that the following countries are in the top ten positions (<http://cursdeguvernare.ro>):

1. Switzerland;
2. Singapore;
3. Sweden;
4. Finland;
5. U.S.;
6. Germany;
7. Netherlands;
8. Denmark;
9. Japan;
10. UK.

A preliminary analysis regarding responsibilities assumed by government policies and the responsibility borne by companies in Switzerland shows that taking social responsibility is both an effect and a cause of high competitiveness. U.S. is ranked 90 because of major public debt, which contributed to the lowering of living standards.

According to a report released in May 2012 by the International Institute for Management Development (IMD) in Lausanne (Switzerland) on the World Competitiveness Yearbook survey results, the most competitive countries from a total of 59 analyzed are Hong Kong, USA and Switzerland (<http://www.imd.org>). These countries have made efforts in managing the economy and human resources, to increase prosperity, based on institutions, infrastructure, health, business dynamism, and innovation, technological and business complexity.

Table 1  
*The 2012 WCY overall ranking ten*

Rank 2012	Rank 2011	Country	Score 2012
1	1	Hong Kong	100.00
2	2	USA	97.75
3	5	Switzerland	96.68
4	3	Singapore	95.92
5	4	Sweden	91.39
6	7	Canada	90.29
7	6	Taiwan	89.96
8	13	Norway	89.67
9	10	Germany	89.26
10	8	Qatar	88.48

In this ranking, Romania is on 53, with a total of 48.93 points, down three positions from the position 50 in 2011. Competitive economies in Europe are in the top ten WCY Switzerland (3rd), Sweden (No. 5) and Germany (No. 9) (<http://www.ziare.com>).

Global Competitiveness Report 2011-2012 (World Economic Forum, 2011), according to Global Competitiveness Index (GCI) places Romania ranked 77 out of 142 countries assessed, with 4.08 points obtained from a maximum of 7 possible ones ([www.andreeavass.ro](http://www.andreeavass.ro)). Analysis of the 12 indicators of competitiveness of our country (<http://cursdeguvernare.ro>), reveals that only at four of them Romania is better located: market sizes (rank 44), university education and training (rank 55), technological readiness (rank 60) and health and primary education (rank 66). But it is known that competent, educated and healthy Romanians leave the country for other places where performance is rewarded. As such, low competitiveness of our country cause deficient social and environmental policies and obviously, living standard of the population is low. In fact, few companies social responsibilities, although their number is growing year by year. An analysis of companies in Romania, case studies of CSR report shows that companies who assume social responsibilities are mostly, multinational companies.

### **Relationship CSR - organizational competitiveness**

The concept of social responsibility, CSR (Corporate Social Responsibility) has become an objective necessity in the context of the knowledge-based economy. Moreover, the European Union, interested in CSR, consider it a means by which any economic system can become the most competitive and dynamic world. In this regard, the Commission considers the concept of social responsibility as part of the competitiveness (<http://www.euractiv.ro>). Also, states and international institutions have developed a series of standards regarding human rights, environmental protection, consumer interests, corruption and competition, companies are turning to CSR.

It is known that more companies included social responsibility (CSR) into their business strategy and practices in this area have evolved. As such, the Commission attempted to analyze the effects of CSR practices have on competitiveness. So in late 2008, the European Commission published a report on the productivity - competitiveness relationship of companies in the European Union (European Competitiveness Report)

(<http://csrnetwork.com>). In this report was made, for the first time, **an analysis of the impact that CSR has on the companies' competitiveness** (<http://ec.europa.eu>). The results of the report show that CSR is the way in which businesses contribute to the sustainable development of European society, having a positive impact on business competitiveness. Conducted research has been focused on the effects of CSR has on human resources, reputation and innovation. These areas are considered important in determining the competitiveness of a interrelate company. Thus, analysis showed that the *reputation* that a company has and built by CSR is necessary to retain and attract quality jobs and responsible practices likely to increase reputation among customers, employees IHR all stakeholders, while retaining and empowering employees. Obviously, performing competitive and ensure that employees, at least, a firm competitive advantage.

Report also shows that social responsibility increases the innovation capacity of companies with positive impact on performance. Research undertaken on companies in Romania have sent CSR studies in the fields of education, culture, environment, social, human rights, sport and CSR annual report (Siveco, Arctic, Vodafone, Petrom, Orange, Tuborg, etc..) (<http://csr-romania.ro>) support the conclusions of the European Commission's 2008 report. Moreover, they enjoy good and very good image and trust among stakeholders. Social responsibility by different companies contribute directly to their development by seizing new markets, by gaining new customers through the prestige and positive image among all stakeholders. Also, socially responsible companies are the most sought by specialists (competence and performance staff) and the community, in order to develop profitable partnerships. Business networks and clusters are generated by socially responsible companies, rather than others. Investments made by companies to assume social responsibility generate effects at both material and psychological level.

Responsible behavior of companies to all partners ensures high quality relationships with them, an increase in stock relational of those companies and product/service quality. As such, socially responsible companies show a competitive behavior in relation to other companies:

- products / services competitive;
- skilled workforce, healthy, competitive and efficient;
- honest practices;
- efficient and ethical management;
- effective climate;
- transparency;
- effective communication;
- proactive;
- appropriate organizational culture and environment strategies for action;
- creativity;
- innovation.

Redefining competitiveness in terms of social responsibility would require the introduction of the 12 indicators of competitiveness and social responsibility. At the same time, all organizations and institutions must include CSR in their strategies, namely to

integrate volunteer activities and social aspects of environmental protection. At the national level is required integration of social responsibility in all policies.

## Conclusions

In knowledge-based economy addressing competitive from the perspective of social responsibility is essential for any business and economics. Competitive business organizations and countries have at least the conditions of social ownership, based on the idea that social responsibility is part of the concept of competitiveness. It should be noted that, regardless of their size, both organizations and countries analyzed, despite having different ways to adapt to environmental changes and the generation of their action changes the environment, developing specific learning processes, yet they show same competitive spirit, dynamic and efficient. Moreover, in the firm theories exists the interest holders theory showing that managers cannot maximize firm value, if objectives and all interested needs ignored: shareholders, employees, suppliers, creditors, customers, communities, etc. In other words, the competitiveness cannot be achieved by an entity, if not taken into account the interests of the main partners, at least, that if the entity does not assume social responsibilities. This is because "all our business in a democratic country begins with public permission and approval because it continues to exist" (Lee, 2008). Thus the profits of each company will be considered their achievements, contributing to the progress of each citizen, in part. As such, businesses profitable, competitive should receive legitimacy to operate in the specific environment of the society and social responsibility is a step in this direction.

It is clear that the accomplished study provides a broad framework for action in the scientific approach and practical approach to competitiveness analysis in terms of social responsibility, offering courses of action to develop framework conditions to achieve proportional networking between competitiveness and CSR at the organizational level and national.

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