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CORPORATE SOCIAL RESPONSIBILITY OF THE FIRMS IN BULGARIA

The concept of the social responsibility of the firms is especially current in the last years. Researchers from academic institutions, as well as representatives of the business, authorities, international and non-governmental organizations participate actively in the dedicated to this topic discussion forums.

The main goal of the study is to analyze the behavior of the firms in Bulgaria in the context of the social responsibility, to present positive firm practices, as well as to compare different firm strategies.

The paper tracks the evolution of the concept of social responsibility in different theoretical schools. The definitions of acknowledged international institutions are systemized.

The paper presents generalized results from case study survey of the social responsibility of 17 firms in Bulgaria.

Formulated are conclusions and recommendations to the state institutions, companies and their managers.

JEL: M14, G34

1. Analytical approach to the corporate social responsibility concept

1.1. *Theoretical-methodological base of the corporate social responsibility concept*

"Corporate social responsibility" (CSR) concept is based on the general formulations for post-privatized firm, corporate governance and social capital. The more contemporary theories of social contract, reputation, ethics and reciprocal conformism are its fundament.

The CSR concept is based on the theory of the firm. In accordance with the neo-institutional theory, the firms emerge as an institutional construction aiming at minimizing the transaction costs – the costs on business operations. Studying the processes of emerging, functioning, as well as the optimal limits of the size of the firms, the representative of the institutional theory of the firm Coase[2] determines them as "islands of conscious power" and draws the conclusion that they are an

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[2] Coarse, R. The Nature of the Firm. – In: The Firm, the Market and the Law, Chicago, 1988, New Series, Vol. IV, p. 386-405.

"alternative way" of coordinating the production, which is diametrically contrary to the market.

Later in the process of analyzing the differences between the "entrepreneurial firm" of Schumpeter and the "hierarchy firm", Williamson draws the conclusion that the theory of the firm is a theory of the "imperfect contracts".[3] The perfect contracts between the sides, which include all aspects of their relationship regarding investments, marketing, payment, would lead to eliminating the need of existence of the firms. Establishing perfect contracts network is, on one side, generally impossible, and on the other – extremely expensive. In the institutional theory the implicit contracts reflect the sustainable interaction between the economic agents, and not single or random acts. The degree of their indefiniteness is quite high, which requires good will of the partners in the cooperation process.

CSR is closely connected with the theory of the transaction costs. In the analyzing process Williamson defines the transaction costs as costs connected with the functioning of "specific resources"[4], which are definitely irretrievable. The latter include the investments, connected with "specific contractors" – the holders of these assets (suppliers, clients, workers, shareholders). The optimal combining of the different assets (labor, capital, information, know-how) could generate a surplus over the input costs concerning their use, which would be bigger than if these assets are used separately by each owner of assets.

If in the process of realizing certain investment project there is an opportunistic behavior of some of the "specific contractors" before finalizing the project, the unfulfilled clauses of the contract lead to a loss of effectiveness at "social level", which affects the sides in the contract.

CSR has a much wider range of firm theories of property rights.[5] Their followers consider the property right as a right to determine all possible ways of use of the assets, which does not turn into a conflict with previous contracts. For Hart, Grossman and Moore the firm is a "fascicle" of property rights on different tangible

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[3] Williamson, O. The Firm as a Nexus of Treaties: an Introduction. – In: The Firm as a Nexus of Treaties, L., 1990, p. 12; Williamson, O. Economic Institutes of the Capitalism, M., p. 48. For a first time the formulation "contract network" is used in the theory of the firm in Jensen, M., W. Meckling. Theory of Firm: Managerial Behavior, Agency Costs and Ownership Structure. – Journal of Financial Economics 3, October, 1976, No 4, p. 306-360.

[4] Williamson, O. Transaction-Cost Economics: The Governance of Contractual Relations. – Journal of Law and Economics, 22 (October), 1979, p. 233-250; Popov, E., V. Simeonova. Endogenous Opportunism of the "Principal-Agent" Theory. – Economy's Issues, No 3, 2005, p. 119. The new institutional theory distinguishes "specific" and "inter-specific" resources. While the value of the first depends on their interaction with other resources – machines, equipment, materials, the second have no value without combining with certain resources and, in this sense, they are mutually supplementing. The inter-specific resources, for example, are knowledge, skills, professional qualification.

[5] Hart, O. Firms, Contracts and Financial Structure, Oxford, 1995; Grossman, S., O. Hart. The Costs and Benefits of Ownership. – Journal of Political Economy, 1986, vol. 94, p. 691-719; Hart, O., J. Moore. Property Rights and the Nature of the Firm. – Journal of Political Economy, 1990, vol. 98, p. 1119-1158.

(machines, equipments, buildings) and intangible (reputation, image, brand, staff qualification, specific skills) assets.

Only the mutual use of these assets suggests generating a surplus over the input costs by the assets' holders. However, this imposes regulating the interrelations between the contractors of different assets. It turns out that it is impossible to foresee all possible circumstances concerning the signed between them contracts. The main reasons for this are the limited rationality, opportunistic behavior of different economic agents, high information costs, asymmetric informativeness. As a result, the effective use of the specific assets by the specific contractors requires additional costs. This is their defence reaction to the expectations for behavior, which would lead to a loss of effectiveness at social level. The unfulfilled contracts, lack of contracting, concrete specification and clarification of unforeseen events, requires applying residual control rights in order to protect the expected profits from applying the specific assets.

The CSR concept corresponds to the theories of contracts, as the agreement for taking social engagements requires signing an extremely complex "social contract" as a main criterion of the strategic management – social contract between stakeholders. In accordance with the theory of the firm, some authors define two levels of social contract. The first level, the lower one, concerns the agreement of the stakeholders to participate in the contract for involvement in the economic association. This level concerns only the process of involvement in the firm structure (pactum unions, just firm). The second level of social contracts, the higher one, suggests signing contracts between stakeholders and subjects with control over the firm (social contract with the firm).[6]

In this context there is a direct connection between the theory of unfulfilled contracts, theory of corporate governance and social responsibility. The theoretical-methodological studies of corporate governance are much more than the studies of CSR. In the economic literature CSR is a model of extended[7] corporate governance. The corporate governance (CG) has a specific and concretely defined range and includes primary the "relations between the management of the company, the corporate governance, its shareholders and other stakeholders".[8] Its application leads to improving the governance structure, which defines the goals of the company, initiates activity towards their realization and monitors the way of realization. CG has also specific instruments and stimuli for achieving goals, relevant to the interests of the company and the shareholders, as well as for "effective control, thus encouraging the firms towards effective use of the resources".[9]

[6] Blair, M., L. Stout. A Team Production Theory of Corporate Law. – Virginia Law Review, Vol. 85, No 2, Sassini L., p. 14-15.
[7] Sacconi, L. CSR as a Model of Extended Corporate Governance, Liuc Papers, No 142, Serie Etika Diritto ed Economia 10, februario 2004, p. 1-3.
[8] OECD Corporate Governance Principles, Preamble, 1999.
[9] Ibid.

Unlike the corporate governance, which focuses on the policy and structure of governance[10], CSR is a wider term and aims at specific goals. The social responsibility of the companies is determined as a responsibility of the firms to the society, in which they operate. Particularly for transnational corporations (TNC), the involvement of the company in the social-political system of the host country is very important. It concerns the firms voluntarily assuming of obligations for solving socially significant problems at firm level, as well as beyond the firm – at regional, national, sometimes global level. In this sense, CSR has a wider range than CG, the latter ranging only the network of interrelations between the management of the companies – corporate boards, their shareholders and stakeholders.[11]

The CSR concept is based on the stakeholders approach. It does not reject but supplements the theories, which consider the firms unilaterally – only as companies of shareholder/owners (shareholders approach), in accordance with which the only goal of the corporations is reaching maximally possible profit for guaranteeing dividends to the shareholders. The theoretical construction of the stakeholders corporation, analyzing the mutual dependence and responsibility of the constituencies of the firm, has much wider range than the construction of “corporation of owners and managers”.

The problem is that the corporations have interrelations not only with the owners and managers. They have direct interrelations with many other constituencies, which partners of the firms have direct interrelations with them and influence strongly their functioning as economic and social institution.[12]

Corporate governance aims at observing primarily the interests of the financial stakeholders – creditors, shareholders and insurers. For the financial group of stakeholders the profound analysis of the financial assets, financial flows, balance reports and other potential sources of risk, based on qualitative and quantitative indexes, is extremely significant.

The social responsibility of the firms is connected with the primary interests of another group of stakeholders – staff, clients, suppliers, central and local power institutions.[13] The problem is that the interests of the non-financial stakeholders is

[10] Guidance on Good Practices in Corporate Governance, UNDP, N. York-Geneva, 2006, p. 3.

[11] Jacoby, S., E. Nason, S. Kazuro. Corporate Organization in Japan and the United States: Is There Evidence of Convergence. – Social Science Japan Journal, Vol. 8, No I, 2005, p. 45.

[12] Williamson, F. E. The Economic Institutions of Capitalism, N. Jork, London, 1985, p. 298-299; Smith, J. G. Business Strategy, Cambridge, 1990, p. 17-20.

[13] The economic literature presents different classifications of the participants (stakeholders) depending on different criteria. The stakeholders are divided to internal – employees, owners, clients, and external stakeholders. The internal stakeholders are divided in two groups: a) specific – minority and ethnic groups, women, disabled; b) ordinary – ecological institutions: in Donaly, J., J. Gibson, J. Ivanchevich. Basic Management, 1992, p. 57-60; Corporate Citizenship, Second Report to the Governors, World Economic Forum, Davos, 2005, p. 8. In the published documents from the carried out in 2004 European Multi-stakeholder Forum on CSR the mentioned division of stakeholders to internal and external is added also in the aspect

extremely important for the shareholders, creditors and insurers. The reason is that, on one hand, satisfying the interests of non-financial stakeholders is directly connected with additional ("social") costs. On the other hand, satisfying these interests in many cases reflects indirectly the creation of value added. The costs for improving the corporate image, for example, guarantee future profits. The investments in staff are a guarantee for improving the labor productivity and production quality. They are a premise for increasing the moral engagements to the firm. In this context, it turns out that reaching the defined goals concerning guaranteeing the incomes of the shareholders depends on satisfying the interests of the non-financial stakeholders – staff, suppliers, clients. The companies, which initiate social engagements, are forced to pay special attention to the interests of the non-financial stakeholders.

The conclusion is that the financial and non-financial stakeholders are equal in the corporate relations. The risk the investors take by investing their capitals is huge and they expect guarantees for future profits. The workers and employees also take big risk and protect their interests. In this sense determining optimal min-max limits of the social costs of the firms suggests functioning of a system for risk management in the frames of the long-term strategy for business development.

The problem of concordance between the interests of the firm and the stakeholders is extremely important. The inclination of the investors to invest fresh capital in new or already confirmed projects, as well as the motivation of the other groups to participate actively in their practical realization depends to a great extent on its solving. The opportunity of the stakeholders to pressure the firms for socially responsible behavior depends on the extent of their organizing. In this context, the signed declarations of the World Economic Forum explicitly outline the necessity "all stakeholders to work together for the common good".[14] The decision to make private investments in "social goods" should be acceptable for all subjects, connected with the realization of the project. In USA 2.3 trillion USD of the total 17

of external to the European Union stakeholders regarding TNC. Another classification divides the stakeholders to directly interested parties and indirectly interested parties. The first one includes employees, owners, clients, suppliers, business partners and local authority. The second one includes subjects, which are indirectly connected to the functioning of the company – state institutions, competitors, professional unions, non-government organizations. In Sacconi L. such groups are identified as stakeholders in narrow and wide sense (Sacconi, L., p. 7). The American economic literature has imposed classification of stakeholders, which divides them to voluntary and non-voluntary stakeholders. The first group includes workers, employees, shareholders, investors, clients and all subjects, who make a voluntary choice to be connected to the company. The non-voluntary stakeholders are those who do not have a choice but have to use the products of the company (clients). Although, the stakeholders are defined as individual and institutional stakeholders (Sullivan, J. Is There an ENGO Case for CSR, www. consumeraffiars.govt.nz, 2004, p. 12-13, p. 21-22). I join the authors, who divide the stakeholders to two main groups – financially interested persons – shareholders, creditors, insurers, and non-financially interested persons – staff, suppliers, clients, local authority (Stakeholders – Interested Persons in the Bulgarian Public Companies. – Economy, 2004, No 2, p. 55-57).

[14] www. weforum.org

trillion USD capital market are invested in funds, which declare social engagements.[15]

The dialog with the stakeholders is the essence of the European practice of social responsibility. A specific feature of the dialog in EU is the striving towards its institutionalization. Since 2003, in accordance with a decision of the European Commission, a European Multi-Stakeholder Forum on CSR is created, where companies, entrepreneurship associations, trade-unions, ecological, consumers' organizations participate. The forum functions under the aegis of the European Commission in order to maintain the interaction between the interested participants and to reveal timely "painful points", where an agreement cannot be reached, which requires initiatives at common European level. The responsibility of the companies for transparent changes will depend on their activity, the capacity and needs of their stakeholders, whose interests are often very difficult to concur.[16] The concordance of the interests in the context of the European interpretation is a dynamic process and not statistical phenomenon. The problem is that the social engagements are in direct ratio to the costs, which often reflects in decrease of the competitiveness of the firms and provokes strongly negative reaction by the shareholders. The continuing theoretical debates, opposing "the company of the shareholders" to the "company of associates", transfer in the real economic life, which imposes continuous negotiations until reaching full agreement between the participants with contradictory interests.

The CSR instruments also have certain specifics. Unlike the CG instruments, the CSR instruments impose their specific measuring standards – indexes of sustainable development, socially responsible behavior, social audit, ethic business standards, human rights protection, etc.[17] While the corporate governance suggests the Board of Directors to disclose information to the shareholders about the financial and operative activity of the company and to follow the standards of financial accounting, CSR concerns the social accounting.

CSR is the essence of the wider concept of corporate citizenship as a new business ideology in the global economy era.[18] The followers of the mentioned concept defend the thesis that the socially responsible business should establish constructive interrelations with all levels of civil society. As a result, the firms become an organic part of the civil society, and the corporations become good "citizens".[19] Thus, the corporate citizenship makes each business open and responsible to the problems of the society.

[15] www.weforum.org, Private Investment for Social Goals, p. 6.
[16] European Multi-Stakeholder Forum on CSR – Final Report, 29 June, 2004, p. 4.
[17] Key Terms and Concept – A Glossary, 2004, UNCTAD, Geneva, p. 29-31.
[18] The problem of the correlation between the CSR concept and the corporate citizenship is also debatable. In the economic literature some authors perceive both concepts as synonyms and identical equal (Maximiano, J.M. CSR Integration into Core Business: among Selected Firms in the Philippines, www.nottingham.ac.uk, p. 3).
[19] The "corporate citizenship" concept is new. The idea of active impact of the concepts on the society is defined under the aegis of the World Economic Forum in the report Global Corporate Citizenship, 2002 and Corporate Citizenship Initiative, 2005.

This means a complex reconsidering of the social role of the corporate capital towards functioning of the capital in favor of the society. The starting level of the corporate citizenship requires the business to master the civilized forms of entrepreneurship – fair work salary, fair payment of taxes, social and health insurances. At higher level the stabilizing of the public reputation of the companies suggests initiating widely declared social engagements.

In this sense, CSR is an essence of a wider concept of corporate citizenship. It is not only to deserve the trust in the people, products and services, but also in the values of the civil spirit. "In 21st century without the citizen – physical entity, and without the citizen – company there cannot be a complete civil society".[20] The values of the company – corporate citizen are complex – from optimizing the profit through the social engagement to actions in favor of the local communities, observing consumers' interests and ethic behavior. The corporate citizenship requires observing eight main principles[21]: management; financial accounting; engagements to stakeholders; engagements to the workers and employees; human rights protection; social investments; observing the interests of the clients, suppliers and sub-contractors; environment protection. The corporate citizenship in the European economic space requires the firms to strictly observe the EU norms and requirements, which is an obligatory premise for their entering in contract relations with confirmed European firms.

The theory of social capital is a theoretical fundament of the CSR concept. The theory of social capital is a more contemporary version of the theory of the human capital in the conditions of globalization, when the problem of forming, improving and realizing creative abilities of the individual become especially current. The social responsibility is closely connected to the theory of social capital, since the workers and employees are the most interested people in the corporations and observing their needs is a significant priority. In analog with the physical and human capital, incarnated in the means of labor and education, which reflect in increasing the individual labor productivity, the social capital concerns those elements of the public organization like "social networks, social norms and trust"[22], which create

[20] Raikov, Z. Corporate Citizen – Profitable Business, Sofia, 2004, p. 112.

[21] Corporate Citizenship Initiative, World Economic Forum, Davos, 2005, p. 18.

[22] Jacobs, J. used for a first time the term "social capital" in its modern meaning in 1960. The French researcher Bourdieu P. makes profound studies on the problem in 1972-1984. He defines three main forms of capital – economic, cultural and social. The author defines the social capital as "aggregate of current or potential interrelations of mutual acknowledging and observing the interests" (Social capital, wikipedia.org). Coleman J. has a great contribution to the further developing and promoting of the concept. In 1990 the concept is adopted by the World Bank and starts a research program, led by Putham R. The author considers the social capital as a "key component" of the contemporary democracy and sets a task to seek its impact on the economic growth. Undoubtedly, the meaning of the concept is "investments in social relations with expected result – increased number of work places". In the economic literature the social capital is measured by indicators like social-political stability, law and order, protection from corruption, differentiating the incomes, mutual trust, etc. (Human Development Report, 2002, p. 38; Hiss, St., Does Corporate Social Responsibility Need Social Capital, CSGR Working Paper, No 141, 2004; Spring, S., Social Capital, www.sis.pitt.edu).

conditions for coordination and cooperation through mutual benefit. In this sense, the social capital is a wider term than the investments in physical and human capital. As far as their existence is realized at firm level, the problem is in the context of the corporate social responsibility in particular. The social capital is a wider term than CSR. It includes components in the research area like personal behavior, labor attitude, motivation and personal engagement.

The CSR concept is based on firm law, motivation theories, including theories of firm reputation, corporate ethics and reciprocal conformism. The firm reputation is directly bound to the corporate image. It is this reputation, due to which the stakeholders have full trust in the firm and gradually cooperate with it, and as a result the firm transactions are made with control and bargaining costs towards minimum level, and self-regulation level is reached.[23] The corporation earning the trust of the stakeholders turns into one of the most effective methods for reaching a competitive advantage. Thus, the reputation becomes a guarantee of the firm and becomes its extremely valuable intangible asset.

The theories of reciprocal conformism are also in this direction. According to them, there is a need of overcoming the traditional egoism and imposing norms of business behavior, which require the individual to consider the pressure of the group and to try to agree maximally with it – treatments in the spirit of the approach of observing the interests of the interested people and the necessity of public dialog between them.[24] If the reputation mechanism is not perfect, an effective functioning of the CSR system is impossible, because in reality the society gives a "license" to the firm. These formulations require effective functioning of a well-established mechanism for controls and balances, which requires monitoring of the different declared interests and institutional approach to overcome the contradictions between them.

CSR is based also on the business ethics principles, like combination of social rules and norms, adopted on the basis of agreements and conventions. The main role of the business ethics is to confirm ethic standards of behavior and to contribute to the voluntary following of the effectively imposed social norms, which are not legally imposed. In this sense, the ethic norms of behavior act in parallel with the legal norms, but also exceed them by requiring a voluntary observation without any juridical pressure. The voluntary accepted by the companies Charters of Social Behavior, Ethic Codes, social reports, etc., are an example. TNC face these problems with increased attention.[25]

[23] Fudenberg, D. Game Theory, Cambridge, 1991.
[24] Di Piazza, S., R. Ecclers. Building Public Trust. The Future of Corporate Reporting, N.Y., 2002, Grifits Br., Business Corporation as Moral Community, www.mediatimesreview.com
[25] Kolk, A., R. Tulder. Setting New Global Rules. TNCs and Codes of Conduct, Transnational Corporations, Vol. 14, No 3, December 2005, p. 10-13.

1.2. Contemporary aspects of the corporate social responsibility

In the last years the corporate social responsibility concept has lived through its Renaissance. The problem is again very current in the West, as well as in the transforming economies. The reasons for this are few:

First, the managers of the leading companies realize that the sustainable development of the business in strategic plan depends on the extent, to which the expectations of the stakeholders – state, local authority, workers, consumers, shareholders, corporate clients, investors, banks, are satisfied.

The interconnection between the sustainable development as a "development, which meets the needs of the modern generation but at the same time does not damage the opportunities of the future generations to satisfy their own needs"[26], and the social responsibility, is undoubted. The sustainable development concept with its main components – environment protection, guarantee of economic growth and social equality – is much more ranged than the social responsibility, initiated at firm level. The sustainable development concept is based on unfolding the corporate social responsibility.

Second, finalizing the privatization processes in Central and Eastern Europe has led to establishing a new economic structure, which determines the increase of the currency of the social responsibility at corporate level.

Third, opening the economies of the former socialist countries to the European market in the process of accession to EU requires the business to be adequate to the current European standards. The socially responsible business is a guarantee for stability of the company, which is very important for the potential investors.

Fourth, CSR is approach, through which the foreign companies adapt to management in unconventional situation, particularly investment on new markets. That is why for a long time it was considered that multinational corporations (MNC) are the only ones to show social engagement. There are no global rules and norms, managing the behavior of the international investors abroad. All TNC initiatives are voluntary. To a great extent they depend on the branch where the firm functions, the regional specifics and many other factors.

Fifth, CSR is much wider term than the social engagements in signing privatization contracts. Such engagements are formulated in deals, carried out by authorized institutions, in the cases when the privatization is carried out through competitions or direct negotiations (Privatization Agency, Ministry of Economy, and other). After signing the contract, the Post-Privatization Control Agency realizes monitoring and control of the observing of the declared social engagements by the buyers for 5 years. However, there are no social clauses regarding the firms, privatized through the stock exchange. No matter what approach has been used in the privatization

[26] www.SustainabilityBrundtland-Report.html

process, the managers of the firms can undertake initiatives towards socially responsible behavior in the post-privatization period.

Sixth, when we discuss the business financing social initiatives, the preliminary thought is that only large, confirmed, financially stable firms can realize such initiatives. It turns out that small and medium-sized firms can have certain motivation for responsible behavior, according to their abilities.

Seventh, CSR is a dynamic concept, which is continuously enriched according to the new conditions. One of the newest statements, introduced under the aegis of the Global Contract in Shanghai (December 2005), is that "going global means being responsible". In this context the business, which enters international markets, should imperatively be socially responsible. This means that in perspective all participants in the economic process will probably adopt the international CSR standards.

The case study shows that CSR is a proactive firm policy. CSR should not be considered only an additional financial burden but, on the contrary, an additional option for future value added and competitive advantages.

Large international research teams are engaged in the CSR problems. Acknowledged institutions, like World Bank, World Economic Forum, Organization for Economic Cooperation and Development (OECD), UN, carry out active campaigns in this direction (see Annex).

Term and definition specifications

Institutions	CSR definition	Measuring indicators, main focus and area of impact
I. PRIVATE SECTOR		
Business for Social Responsibility	CSR means that "the entrepreneurial activity should correspond to the expectations of the society and even to excel them in ethical, legal, trade and civil aspect. CSR is a group of principles and practical programs, which are integrated in all directions of the entrepreneurial activity and are set in the firm strategies".	1. CSR and corporate strategy 2. Corporate governance and CSR 3. Corporate reporting and social reporting
World Business Council for Sustainable Development, Global Reporting Initiative, 2002	CSR shows the determination of the entrepreneurs to "demonstrate ethical behavior and to give their contribution to the economic development though increase of the living standard of the workers and their families, as well as to contribute to the prosperity of the communities and the society as a whole".	1. CSR and sustainable development 2. Correlation between reporting in the area of sustainable development, financial and social reporting 3. Dialogue with stakeholders 4. Human rights 5. Responsibility of the business to the society

International Business Leaders Forum www.pwblf.org	CSR means open realization of entrepreneurial activity based on ethical values and respect for the workers, community and environment. It should guarantee sustainability not only for the shareholders but also for the society as w hole.	1. Safe working conditions 2. Ethical values 3. Environment protection 4. Transparent and ethical business 5. Confirming the business ethics as an obligatory condition for long-term success
International Chamber of Commerce	CSR means "voluntary intention of the entrepreneurs to realize their activity in a responsible way".	1. Socially responsible investments 2. Corporate and social reporting
Empressa www.empressa.org	CSR is a "process of making entrepreneurial decisions, based on ethical values, observing the legal norms and respect of the interests of the people and communities, as well as preserving the environment".	1. Ethical standards 2. Dialogue with stakeholders
II. INTERNATIONAL ORGANIZATIONS		
United Nation, UNCTAD, Social Responsibility, Geneva, 2001, www.unglobalcompact.org	TNC demonstrate their "civil position through strict observing of the common values and principles regarding human rights, working conditions and environment protection".	1. Labor force staff 2. Workforce fluctuation 3. Professional qualification 4. Representing the interests of the workers 5. Regulating the work hours 6. Safe working conditions
World Bank www.worldbank.org	CSR is "intention of the entrepreneurs to give their contribution to the sustainable economic development based on cooperation with the workers, their families, communities and society as a whole in order to increase the quality of life in a way, which is beneficial for the business and favorable for the development".	1. Role of the corporations in the society 2. Corporate ethics standards 3. Role of MNC in the national economy 4. CSR and competitiveness 5. Role of corporations in introducing the new technologies 6. Business and society 7. Influence of the corruption on the economy and development of the society
World Economic Forum www.weforum.org	CSR is "impact of the companies on the society through their main activity, investments for social goals and charity programs. The CSR impact is determined by how the company manages its interrelations in the economic, social and ecological activity, as well as the interrelations with different interested sides, in particular shareholders, workers,	1. Private investments in social benefits 2. Active dialogue with stakeholders 3. Social reporting

	clients, share partners, local organs of authority and municipalities".	
OECD www.oecd.org	CSR means "effective interaction between trade enterprises and the society, in which they function".	1. CSR in MNC 2. CSR for SME 3. Corporate social investments 4. Social reporting
Commission of the European communities http: //europa.eu.int/csr/	CSR is a "concept, in which the firms integrate voluntarily social engagement and environment engagement in the business operations, as well as in the interrelations with other interested sides".	1. Healthy and safe working conditions 2. Observing the human rights 3. Active dialogue with stakeholders 4. Social reporting and audit 5. Socially responsible investments 6. Environment protection 7. Establishing network of socially responsible firms
III. CIVIL ORGANIZATIONS		
Account Abbility www.consumeraffiars	"CSR gives an answer to the question why, when and how the business initiates social, ecological and economic goals. CSR focuses on where the business have opportunity and where it chooses to do it for its stakeholders".	1. CSR and employment 2. Safe working conditions 3. Corporate social investments 4. Corporate philanthropy 5. Studying good practices 6. Firm studies in the area of CSR
Office of Consumer Affairs, 2004, www.consumeraffiars	CSR is "a set of initiatives of the corporations concerning solving important social and ecological problems".	1. Mutual commitment between the corporate and social reports. 2. Observing the human rights and workers rights 3. Imposing social standards 4. Studying the interrelations between the corporations and society 5. Studying the interests of the shareholders 6. Studying the connection between CSR and the sustainable development
Pricewater House Coopers www.pwc.com	CSR is a "readiness of the business to organize itself in economically, socially and ecologically responsible way".	1. Presenting information on the impact of the corporations on the society 2. Studying the interconnection between sustainable development and CSR 3. Studying the connection between reporting regarding the sustainable development, corporate and

		social reporting 4. Studying the practice of social reporting in 5 continents (Europe, North America, South America, Asia and Africa) 5. Branch studies of CSR in 17 leading branches

According to the World Bank, CSR is defined as "engagement of the business to contribute to the sustainable economic development and to guarantee a connection with employees, their families, the local authority and the society as a whole in order to increase the quality of life, which would be acceptable for the business, as well as for the development".[27] According to the definition of the World Economic Forum, the corporate responsibility is a fundament of the even higher concept of corporate citizenship, which depends on the "contribution of the company to the society through its business activity, social investments, and charity campaigns, including also engagements in the public space".[28] The Organization for Economic Cooperation and Development focuses on "the optimal interaction between the business and society, in which it operates".[29] UN does not formulate a special definition of CSR. The competent institution focuses on the idea of "global corporate citizenship as a fundament of the individual corporate practices of the multinational companies".[30]

The European Commission defines the social responsibility as a "concept, in which the firms integrate voluntarily social engagement and measures for environment protection in their business operations and in their interconnections with the other acting agents".[31] The social responsibility is an element of the corporate culture, which requires realization of voluntary engagements, thus the personal benefit and private corporate interests step back and a new vision of corporate values confirms. The business practice provides clear examples that the socially responsible companies develop more successful business. In this sense, CSR is a significant economic factor, which leads to creating a value added with certain time lag.

The research project uses the CSR definition, which focuses on the voluntary social engagements, which the firms adopt not as a one-time act but as a permanent process, and are directly connected with their subject of activity. The firm analysis of the social engagements of the firms in Bulgaria is also built on this definition. This means that the ecological initiatives remain outside the range of the conducted study.

[27] Disclosure of the Impact of Corporations on Society. 2003, N.J. Jeneva, p. 23.
[28] http:// www.pwblf.org
[29] White Book for Corporate Governance in South Eastern Europe, 2003, Sofia, p. 52-54.
[30] The Social Responsibility of Transnational Corporations, United Nations, N.Y. Jeneva, p. 9-11.
[31] Corporate Social Responsibility on the European Social policy Agenda, Green paper – 2001, in: http://europa.eu.int/

The accession of Bulgaria to the European Union means the Bulgarian business should voluntarily adopt and follow a behavior, integrating social and ecological engagement to its interrelations with the partners. The European integration will demand from the Bulgarian companies unfamiliar for most of them norms and requirements, which are an obligatory component of the corporate citizenship. If the firms cannot fulfill them, they lose their chances to enter the common European market.

The main CSR characteristics are:

- CSR means including firm strategies and activities of social and ecological measures and responsibilities.
- CSR has a voluntary character and does not reflect in a conflict between the interests of the stakeholders.
- CSR is a sustainable, permanent process and not a one-time act.
- CSR does not replace the legal regulations and does not exceed the legal frames.
- CSR has an internal and external dimension. The internal one includes the interrelations between the employers and workers and is measured in investments in human capital, insuring healthy and safe working conditions, etc. The external dimension ranges the suppliers, public and non-government organizations, municipalities and all other external parameters of the business environment, in which the firm operates.

In this sense, the theoretical-methodological study of the social responsibility is current and quite timely. The results of an empirical study of the social responsibility of the firms in Bulgaria reveal interesting positive practices. The representatives of the scientific community, the business, and the public, can benefit from the conclusions and lessons.

The establishing of the theoretical construction of CSR allows establishing of a sample scheme of the advantages and disadvantages of CSR.

The undertaking of social engagements by the business requires coordinating the interests of many stakeholders. It is equal to concluding a “moral peace contract” between the business and society. Presenting transparent social reporting of the impact of the companies on the society leads to restoring the damaged trust, since the firms clearly reveal their activity. This creates premises for easing the dialogue and allows the stakeholders to assess the risks and to develop own behavior strategy. The users of the social reports are mostly top-managers, executive directors, creditors and investors. It is very important for the investors how the social costs, risks and obligations will reflect on the value of their shares. Since the social information will become even more significant for the investors, the firms have to be ready to present it.

External advantages and disadvantages

Advantages	Disadvantages
1. Leading a constructive dialogue with corporate clients, investors, shareholders, banks, municipalities. 2. A new paradigm is confirmed – the business does not create only money and profits but new public interrelations. 3. The interests of all stakeholders are coordinated. 4. Effective interaction with the authority organs – tax organs, social offices, municipalities. 5. CSR is a confirmed practice of companies-leaders. 6. CSR is an international standard and a requirement on the global markets. 7. CSR requires transparency of the financial and social firm reporting.	1. Emerging of conflict of interests. 2. The profit, respectively paid dividends, is the only goal the managers strive for. 3. Fears for increasing the attention of the tax organs on companies with social programs. 4. Fears of the shareholders for decrease of the dividends. 5. Emerge of the phenomenon "bureaucratic-administrative income", which obliges the firms at each stage to make donations, realize illegal payments, etc. 6. Distrust by the financial stakeholders.

Internal advantages and disadvantages

Advantages	Disadvantages
1. CSR creates value added 2. CSR stakes on optimistic expectations for future profits 3. CSR has a favorable impact on the firm image 4. CSR is a fundament for achieving additional competitive advantages in middle-term and long-term perspective as a result of improving the financial indicators. 5. Maintaining work places 6. The firm becomes attractive power for young, qualified specialists 7. The costs for legal processes decrease.	1. Additional investments in social projects at firm level inevitably will raise the prices of the product 2. Difficulties in finding well-prepared consultants in the area of the social reporting 3. Separating additional financial resource for preparation and publishing the social reports 4. Closing work places 5. Fluctuation of qualified workforce 6. Payment of high legal costs and fees

Due to ethical reasons, as well as the interest their investments to maintain and raise the stock exchange value of the shares, the large institutional investors show increasing interest in the social engagements of the firms. The business practice shows that the companies, which are socially responsible and observe ethical norms of behavior, realize higher financial indicators in long-term perspective. Making final investment decisions mandatory suggests analytical acquaintance with the corporate reports, social indicators, as well as the indexes of sustainability, the KLD DOMINI 400[32] index and FTSE4GOOD index.

The number of investment funds, which invest in socially responsible business, continuously grows. According to data of Business for Social Responsibility, the socially responsible companies, which include social engagements in their business practices as an integral part of their business operations and business strategies, report annual incomes of almost 2 trillion USD, and the employed in them are more than 6 million people in the world.[33]

Presenting information on the social engagements in the business reaches the reporting concerning the sustainable development regarding the UN Global Contract. The social responsibility reports have narrower range. The reporting concerning the sustainable development has much wider range.

Comparison between the structure of social reports on CSR and sustainable development

Social reports on CSR	Social reports on sustainable development (Global Reporting Initiative)
Corporate principles, values and culture	Corporate principles, values and culture
Mission and structural goals	Mission and structural goals
Social policy for team development	Economic results and development
Social, ecological and public projects of the business at local, regional and national level	Introducing ecologically sustainable productions
Sponsorship and charity	Complex social policy of the company
Future tasks of the company	Future strategy of the company

2. Generalized results of the study and a positive experience outlining

The methodology of the study is based on qualitative models. A Case Study method is used, which suggests conducting interviews with representatives of the companies – subjects of the study. The study is carried out in the period 2004-2005. The goal is to determine whether the successfully privatized firms in Bulgaria are socially engaged and what are the priorities of their social programs.

The questionnaire card is divided into three main sections.

[32] The KLD DOMINI 400 social index is introduced in May 1990 and is used for monitoring the activity of 400 companies in USA. The DJSI index of sustainability is introduced in 1994 and ranges 310 large companies from 23 countries.

[33] The Impact of Corporate Responsibility Standards and Practices, June 2003, AccountAbility, p.4.

The first section reveals the subject of activity of the companies, their branch affiliation, juridical status and their specifics, outlining them in the economic space.

The questions in the second section concern the previous period of restructuring and privatization.

The third section of questions is concretely directed with the number of employees as a main group of stakeholders and aims at revealing the socially responsible practices of the companies. This gives opportunity for comparative analysis between the different practices, as well as for focusing on the positive experience.

The social engagements are grouped in a few main directions – safe working conditions (SWC), forming Working Conditions Committees (CWC), concluded Collective Labor Contracts, carrying out a firm training, additional pension, respectively health insurance from the employer, level of average work salary in the firm, donorship, engagement to municipalities, observing the requirements of the Global Contract and following the principles of sustainable development, inclusion in the CSR networks and creating ethical codes and moral charter.

The sample of studied companies is not representative. At first, a hypothesis is set, which suggests that the social responsibilities are dependent on the forms and methods of the previous privatization process. Later, it turns out that the grouping in two sets of companies is more proper:

1. Large companies (F1 – F9)

2. SMEs (F10 – F17)

In the group of large companies 6 of the firms are TNC subsidiaries, 2 are privatized by foreign investor, 1 has Bulgarian owner. It is not a coincidence that the SMEs are in the sample. These are SMEs, announced as socially responsible firms by BTPP – Dobrich. The goal is to show that the first steps on the way to social behavior of the firms in Bulgaria are already taken. This gives opportunity to present public information on the positive experience of the studied companies.

Two of the large companies (F4 and F6) declare that they follow the principles of sustainable development, F3 has joined the Global Contract Initiative, and F7 is an associated member.

The firms have different juridical status. Eleven firms (64.7% of the sample) are JSC (F1, F2, F3, F5, F6, F7, F8, F9, F11, F13, F15). One firm is single JSC (F4). The number of LLC and single LLC companies is respectively four (F10, F12, F14 and F16) and one (F17).

The studied firms have different branch affiliation. Two of the firms are from Ferrous metallurgy (F5 and F6), three – from Non-ferrous metallurgy (F7, F8, F9), three – from Electrotechnics (F1, F2, F11), four – from Chemical industry (F3, F4, F13 and F15), one – from Machine-building (F14), one – from International transport (F16), one – from Trade (F17) and one – from Home utilities (F12) and Furniture industry (F19).

The large firms (F1 – F9) have passed a long period of restructuring before falling into the hands of effective owners, while eight (F10 – F17) of the firms are newly created after 1991.

By criterion "Number of employees in the firm" of the European definition, five of the firms in the study are small, because the number of employees in them exceeds 50 people (F13, D14, F15, F16, F17). Four of the firms in the study are medium-sized enterprises with number of employees between 50 and 249 people (F2, F10, F11, F12). Seven of the firms in the study are large with number of employees more than 250 people (F1, F3, F4, F5, F7, F8, F9).

In all large firms the activities regarding the social engagements lay in the competence of Direction "Human Resources Management", while in SMEs the Executive Directors deal with these problems. The managers have the right to build the form of the social package the firm provides. Observing the main activity of the company is very significant. In one of the companies there is an effectively functioning Nominating Committee for 5 years.

Collective labor contracts are concluded in 7 companies (F1, F4, F5, F6, F7, F8, F9).

The professional training at firm level as a core of the European concept of learning through life can also be considered in the context of the social responsibility. Training on account of the employer is realized in all large firms (from F1 to F7). Only F8 gives neither positive nor negative answer.

The firm investments in professional training and increase of the qualification of the employees are returnable. The results are materialized in increase of the labor productivity and creation of value added, increase of the staff loyalty to the firm, and increase of the production quality. In this sense, the training creates an important specific resource – trained qualified workforce. The need of the firm to invest in this direction comes from the introduction of new improved products/services, new equipment and production methods, new organization or new marketing products. Since the processes of introduction of new equipment are fixed, the firms have to make costs for increasing the qualification skills of their employees. This is especially valid for TNC. The interviews show that this activity is strongly developed in TNC. Most companies practice in the headquarters of the mother-company a training of managers, chief engineers and technologists from the subsidiaries (F2). Thus, the employees get acquainted with the requirements of the technological process and are ready to react in every situation. It is noticeable that the employees in "Marketing" departments of the foreign companies know foreign languages and periodically increase their qualification.

Only the large firms have opportunity to maintain own training centers as a premise for current professional training of the employees. It is conducted by inside trainers, who know best the technological process and have a lot of experience. The investments in a modern Training and Qualification Center at the firm are not an end in themselves but come from the needs of the real production process (F4, F9).

There are cases, when the internal training is an original know-how of the company (F1, F2, F3, F4, F7). In this sense, the internal firm training is derivative from the strategic goals of the firm, its long-term and middle-term perspectives of development. The firms practice training with part-time external trainers as well (F1, F2). When it is necessary, acknowledged inventors from universities are invited (F 1 uses lectors from Technical University – Sofia) or the employees visit external courses.

In some firms the participation of employees in training programs is rewarded with a bonus (maximum number of points in the annual attestation), which is marked in the personal attestation card. The purpose of the investments in employees' training is to increase their motivation for labor (F1, F6). The emerging moral engagement of the employees to the employers, who have invested in the training, should not be underestimated.

Most often the training of the employees is directed towards learning foreign languages, improving the computer literacy, training in implementing new marketing products, learning accounting and finances.

There are firms, which encourage their employees to acquire scientific degrees and stimulate the introduction of new inventions in the technological process (F6).

In the small firms the financial resource for professional training is limited. Nevertheless, these are for instance the positive efforts to increase the language literacy of the employees (F11), to get acquainted with the software product (F12), to train mechanics in the mother-company (F14), to participate in a training course in Germany (F17).

There are small firms, which carry out professional training of trainees based on a training contract between the firms and the schools and universities (F14).

Undoubtedly, the problems of the responsible behavior of the business will remain in the future agenda as well. The expectations are that the practice will show the managers new directions of future initiatives in this sense. Such practices contribute to the realization of the Lisbon strategy in the context of the learning through life and ILO Recommendation No 195 for human resources development.

The safe working conditions are important sector of the EU social policy. The investments in work safety and persons' health are the main factors of the sustainable development. The positive experience of the Bulgarian firms is evidence that the companies are more involved in creating firm organization for management the activity of insuring safety working conditions. The complexity of the problem comes from the fact that, especially in risk productions like metallurgy, chemical industry, ore output, the observing of the requirements of safe working conditions suggests significant investments for replacing the old equipment and modernizing the technologies, which requires large financial means. The creation of safe working conditions is an engagement of the state, the firms, and the individuals. The study takes into consideration the obligations and responsibilities at firm level and the behavior of the employers in this direction.

Interesting is the statement that no matter what is the size of the company, the managers closely observe the following of the requirements of safe working conditions (F1 – F17) – 100% of the sample. The efforts of the small enterprises in this direction are indicative. One of the reasons for this is that since 2004 the Law on healthy and safe working conditions is obligatory for all firms.[34] In this way the Law on safe working conditions and the Labor Code completely introduce the requirements of the Frame Directive 89/391 of EU by regulating the rights, obligations and responsibilities of the subjects in the labor process – state, employer, employees.[35]

The large and small companies undertake the necessary measures for protecting the health of the employees, they carry out regular training on safe working conditions and insure the necessary organization and means in this direction.

The study shows that despite the difficulties in the metallurgy companies, they have put all efforts to create and introduce effective systems of safety and health at work, which are an integral part of the companies' strategy (F5, F6, F7, F9). This is an extremely important direction, having in mind the heavy working conditions in these enterprises and the large number of labor accidents in them.

The forming of Working Conditions Committees is especially significant. The firm policy on the work safety depends on their effective functioning. They consist of equal number of representatives of the employees and of the employer, but not more than 10 people. The Working Conditions Committees are formed in the large enterprises (F1, F2, F3, F4, F7, F8 and F9).

In accordance with the Law on safe working conditions, the Working Conditions Committees insure safe work in the enterprises. The Law gives opportunity to use the recommendations of experienced external experts and representatives of the control organs. If a Working Conditions Committee is not established, the functioning of Working Conditions group is an alternative. Such practice exists in small enterprises with less than 50 people employed. In this case the group, monitoring the working conditions, includes the employer and one employee, elected by the collective.

The European recommendations in this direction require the safety and health policy at work to focus not only on Working Conditions Committees. The activity should expand through establishing working conditions groups at the firm subsidiaries. This allows the activities on safety working conditions to engage all hierarchy levels –

[34] Law on healthy and safe working conditions, State Gazette, No 124/1997, amended in No 86/1999, No 64 and No 92/2000, No 25 and 111/2001, No 18 and 114/2003.
[35] Implemented Frame Directive 89/391 EEC.

from top managers to workers on different positions. In this way, premises for participation not only of the employers but also of the employees in solving such significant problems like safety of the working place are created.

The study of the firms shows that all large companies are socially engaged in the health of their employees. In branches like metallurgy – ferrous and non ferrous, and chemical industry, the functioning of the Work Medicine Services is obligatory (F2 has a contract with a team of doctors, and F8 has a functioning Health Center).

Among the small firms, F12 provides information about a concluded contract with Work Medicine Services, and F16 has prevention examinations on the account of the employer. The reason is that the small enterprises have no free financial resource to insure permanent medical service, and at the same time the Work Medicine Services have no economic interest in concluding contracts with economic subjects with small number of employed. Thus, the employers in SMEs observe the requirement of the Law to insure contracted medical service from external or cooperated Work Medicine Services.

The companies from the chemical industry (F3 and F4) are included in a network of socially responsible companies called “Responsible Care”. It is an international network of companies from the chemical industry, which declare readiness to follow the principles of Sustainable development as a global agreement of the UN member-countries. Responsible Care Europe is part of the global network of firms from the chemical industry, which have joined the initiative Corporate Social Responsibility of the firms in Europe. The initiative has started in Canada in 1984 as an engagement for environment protection in the process of timber processing. In 1988 USA has adopted it, in 1989 – UK, and since 1990 Europe has adopted it. It is an initiative, which is developed by the chemical associations in 47 countries around the world.

Following the Global Principles of “Responsible Care” suggests the chemical companies to engage actively and carry out joint actions concerning the continuous improving of the care for work safety, employees’ health, and environment.[36] This requires observing all national and international laws and regulations, which concretely concern these three points. The companies are engaged to inform in an open dialogue the employees and the public on all issues regarding the health and work safety in particular. The chemical companies should encourage their suppliers and clients as stakeholders to carry out similar policy of management the health, safety and environment. The purpose of the initiative is to expand and cover a wider network of participants, connected with the chemical industry. The undertaken initiative is equivalent to corporate ethics and engagements towards building trust in the chemical industry, which production aims at improving the living standard and quality of life. The introducing of the initiative is proceeded by a long period of active exchange of experience on “good practices”. Two Bulgarian firms from the chemical industry (F3 and F4) are rightful members of this global initiative.

[36] See guidance for implementing the “Responsible Care” initiative in the Annex.

The TNC subsidiaries insure higher average annual salaries compared with the local firms. Unfortunately, only some firms have given an exact answer to the question about the amount of the average monthly payment (F5 – 786 BGN). Having in mind the average work salary in the private sector in 2005 (277 BGN) and in the public sector (393 BGN), we can clearly see the significantly higher salaries in the TNC subsidiaries.[37]

In two of the large companies the employer guarantees Additional Pension insurance (F7 and F9). In F5 the workers are insured for professional illnesses and work accidents, and F7 has a contract for Complex health insurance and "Life" Risk insurance.

The large companies are engaged also in the problems of the municipalities by actively participating in the financing of infrastructure projects. F7 has received an award for most active program for cooperation with the local municipalities in 2002. Among the small firms, F12 also responds to the problems of the municipality as a stakeholder.

The large firms are corporate donors. F3, F4, F7 and F9 give information for donations. Among the small firms, F12 and F17 sponsor orphan homes, talented children in uneven position, children folklore group, etc.

As a result of the conducted comparative analysis of the socially responsible practices of the firms in Bulgaria, the groups of TNC and SME clearly outline.

TNC are an engine of the market economy and the international labor distribution.[38] The integration processes in the global economy provide new opportunities for development, but they hide risks and problems, unknown till now. According to data of United Nations Conference on Trade and Development (UNCTAD), 77 000 mother-companies with more than 770 000 foreign subsidiaries function globally. The value added, created in them, is evaluated to 4.5 trillion USD. They provide employment for about 62 million USD, and their volume of exported goods and services exceeds 4 trillion USD.[39]

The number of covered TNC subsidiaries in the study is not large. Studied are 6 of the 7153 subsidiaries of foreign TNC, which is 0.08% of the foreign firms.[40] Although the share of the studied firms is small, the conclusions can be considered

[37] Economy of Bulgaria, Center for Economic Development, Sofia, 2006, p. 71.
[38] According to the new approach, MNC is a company, which has subsidiaries in two or more countries, it is capable to carry out coordinated policy through one or many decision-making centers and in which the mother-company controls the assets of other economic entities in the host countries through participation in the capital. The minimal limit of this participation is not less than 10%, which is considered sufficient for guaranteeing control on the assets (Mladenova, Z. Cross-National Corporations in the Global Economy. – Economic Thought, 2004, No 1, p. 43; Dimova, P. International Corporations in the Globalization. – Economic Thought, 2004, No 4, p. 99).
[39] World Investment Report, 2006, UNCTAD, p. 10.
[40] World Investment Directory, Vol. VIII, Central and Eastern Europe, 2003, p. 103.

representative, since some of the largest firms, which have determining significance for the Bulgarian economy, are chosen. The idea is to follow the positive experience of some TNC subsidiaries in Bulgaria as a "focus group" and to serve as a standard of social behavior to other national and international companies.

The wide range of the socially responsible profiles of the studied companies, as well as TNC outside the sample, is an evidence in support of the thesis that the social responsibility is a specific way to manage the international companies in unconventional situation the firms fall when investing on new markets. The voluntarily announcing and carrying out of initiatives in the social area creates favorable premises for the recipient-countries in creating work places, increasing the qualification of the workforce, and renovating the technologies.

In this direction are created international CSR standards, which observing, on one hand, is equal to increase of the costs of the firms, and, on the other, leads to generating competitive advantages for the companies-investors, as well as for the countries-recipients. The reverse process – forming favorable normative and social environment as a fundament for implementing the CSR standards – is very significant.

The international frame of responsible behavior of TNC is confirmed and is continuously updated according to the new conditions. In this direction we can state the ILO Tripartite Declaration on the MNC and social policy principles (1997, amended 2000), the leading OECD principles concerning MNC, the Global contract, the CSR European strategy, the TNC ethic codes, etc. This is the reason for TNC to have leading positions in adopting the modern social standards, imposing the new ethic codes, and presenting new social initiatives to the society.[41] These companies have financial resource, which can be invested in this direction. They are well aware that such behavior is a guarantee for future profits and for confirming a positive corporate image.

Thus follows the need of the TNC corporate boards to extra carefully make decisions in the area of the carried out social policies.[42] The introducing of Responsible Competitiveness Index as a requirement of AccountAbility 2005 is the next stage towards expanding the voluntary practices of the firms in a social context. The notion that the voluntarily presented by the companies social reports will confirm as an obligatory component of the general package of annual report documents, together with Annual Report of JSC and the Incomes/Expenditures Report, confirms.

All this is times more valid when in the internationalization TNC enter new markets through FDI. In this context, the restructuring of the economy concerns the inflow of

[41] The Social Responsibility of Transnational Corporation, UNDP, 1999, p. 34-35; Kline, J. TNC Codes and National Sovereignty: Deciding when TNCs Should Engage in Political Activity, Transnational Corporations, Vol. 14, No 3, 2005, p. 43-45.
[42] World Investment Report, 2006, FDI from Developing and Transition Economies: Implications for Development, 2006.

foreign capital through the TNC subsidiaries.[43] The access to new markets and resources is connected with increase of the requirements for disclosing transparent information, including in the area of social reporting.

By 2004 the volume of FDI in Bulgaria with accumulation reaches 6958.9 million (direct investments and expansion).[44] In parallel, the FDI through privatization for the period 1992-1994 are 3186.3 million USD. By 2004 totally in Bulgaria FDI through privatization and the non-privatization investments are about 10.145 million USD.[45]

The panels of firm studies show increased attention of the TNC (F7) and the national companies (F9) from the extracting industry towards the social problems. The delicacy of the problem comes from the fact that the foreign companies provide fresh financial resource, new experience – technological and managerial, new technologies, and have cheap workforce. On the other hand, observing the national interests suggests achieving maximum profit from the exploitation of the national nature resources and making demands for receiving potential income from the natural resources, which usually goes to the foreign companies. That is why the extracting TNC strive to create favorable social climate in the conditions they operate, and are especially careful in observing the social standards.

The presented panel of firm studies of TNC subsidiaries shows their social engagement. It is directed preferentially towards internal stakeholders – the employees, mainly towards guaranteeing healthy and safe working conditions, insuring decent payment of the labor, opening new work places, improving their qualification. These companies put efforts to be responsible to the external stakeholders – suppliers, clients, bank institutions, local authority organs. Besides, they are engaged with charity. All this is a reason to conclude that the TNC subsidiaries show social engagement at highest level.

The SME group is also interesting for the analysis. In 2004 the number of SME is over 221 000. The micro enterprises (with 1 to 9 employed) prevail, which are over 198 700, while the small enterprises (with 10 to 49 employed) are about 18 900. The group of the middle-size enterprises (with 50 to 249 employed) is least in number – 3 600. The created in them value added is 58.4% of the value added of the private enterprises as a whole.[46]

The studied nine firms in this group have different size structure and branch affiliation. Nevertheless, joining the common European market, no matter what is the size of the firms, sets high requirement to them. The strong market competition, lack of financial resource, big demand for production quality and organization of the complex production process, set barriers to the national firms. Meeting requirements

[43] Manea, J., R. Pearce. Industrial Restructuring in Economies in Transition and TNCs Investment Motivations. – In: Transnational Corporations, Vol. 13, No 2, p. 14-15.
[44] Statistical Reference Book, NSI, 2005, p. 214.
[45] Numbers and facts 2004/2005, Bulgarian Investment Agency, 2005, p. 32.
[46] Annual report on the state and development of SMEs in Bulgaria, Sofia, 2006, p. 15-17.

like obligatory certification of the firm and identification number of the product is connected with the necessity of additional financial resources.

The entering of SMEs on the European market is always connected with their responsibility as social entrepreneurs. When concluding international contracts, the European firms will prefer as a partner firms, which are engaged in the social area. The studied SMEs are selected to show that the smaller firms also observe the requirements of safe working conditions. They also try to be honest to the internal (employees) and external (municipalities, suppliers, clients, banks) stakeholders. Even in the group of small enterprises there are firms, which have charity activity. All this allows us to generalize that even the micro enterprises, despite their big difficulties, should put efforts to be socially responsible. The starting level of responsibility requires observing the requirements of safe working conditions, decent payment, tax payment, opening new work places. We can conclude that the ranged in the study SMEs have put big efforts to meet these requirements.

Two of the companies in the study declare their commitment to the sustainable development initiatives (F4 and F6). The concept of sustainable development is a fundament of the social responsibility. The social responsibility is only one of the aspects of the sustainable development. The practical developing of social reports of the leading global companies shows that the corporate reports on sustainable development have a wider range compared with the CSR reports. The guidance on reporting in the area of sustainable development formulates recommended indicators, which should be reported at firm level.[47] They have wide range of employment of workforce, status of workforce, type of employment – full-time or part-time, term of the contract, number of opened work places, interrelations between the staff and the managers, protection and safety of labor, education and training, equal opportunities for labor, prohibition of child labor use, collective contracting, discrimination banning, etc.

The study involves also firms from the List of companies, which have joined the "Global Contract" initiative (F3, F7 – associated member). The undertaken engagements with the participation in the UN initiative aim the business to support the Millennium Development Goals. The participation of Bulgarian firms in such initiatives is evidence that Bulgaria has drawn the format of the main social engagements. Many of the initiatives are in full correspondence to the European standards of the social responsibility concept.

Ministry of economy and energetic, Bulgarian Chamber of Commerce and Industry, Bulgarian Industrial Association, CISB, branch organizations, Bulgarian international business association (BIBA), undertake information campaign on stimulating socially responsible initiatives. Having in mind the currency of the problem, the expectations in this direction are to continue in the future.

[47] Global Reporting Initiative, www.tnk-bp/social/

3. Conclusion

The research project "Social responsibility of the firms in Bulgaria" studies the theoretical construction of the CSR concept in historical, as well as systemic-theoretical context. The positions of different authors and schools that discuss the emergence and essence of the concept are presented.

The theoretical fundament serves as a base for the carried out study in MNC and SME in Bulgaria. The conducted firm studies reveal the specifics of the social responsibility of MNC and SME, large enterprises and micro enterprises. An attempt to study the social activity depending on the branch is made.

The complex heterogeneity of the problem in historical context and the covered economic set of approaches and current problems, which have to be solved in clarifying the CSR specifics, predetermine also the complexity of the used instruments.

Applying the system and comparative method of analysis has led to formulating conclusions and evaluations regarding the tendency of the firms to invest in social projects. The problem concerns the necessity of an active dialogue between the stakeholders often having different interests.

It is necessary that the three centers – business, society, state – function as unified mechanism for overcoming the emerged contradictions.

The state should increase the effective institutional control on the firms regarding realizing the "base", minimal level of social responsibility, which requires payment of taxes, social, health insurances, decent payment of labor and safe working conditions.

The state should determine very clearly exactly which institutions (ministries, ministers) are authorized to monitor and encourage the social initiatives of the firms.

The state could create a favorable environment, which will encourage socially responsible behavior in the firms. In this connection, an improvement of the tax legislation towards abolishing income tax on the social incomes, paid by the employer – means for free food, clothes, bonuses, etc., is necessary.

The state structures at all levels should reject the methods of direct or indirect forcing the firms to realize social obligations beyond the legally determined level. The state institutions should also report the positive experience of some firms, as well as the difficulties and negative attitude to the social projects of other firms.

Since the socially responsible practices are a guarantee for eased access to the European market, the institutions should promote more actively the European CSR concept. We can recommend in this direction carrying out of seminars, round tables and discussions with participation of investors, managers, European consultants, research fellows.

Another recommendation is forming Social Supervision Commission as a temporary organ in the period of the Bulgarian firms adapting the European practices.

The main recommendation to the business is undoubtedly and honestly to meet the minimal social requirements, set by the Bulgarian legislation – payment of taxes, social and health insurances, decent payment of labor.

The business should have the initiative in leading an active dialogue with the stakeholders – employees, municipality, suppliers, clients – to reach a maximum degree of satisfaction of the different interests and to avoid social contradictions and conflicts.

The organizations of employers should be convinced in the significance of the social reports. The social reporting is completely voluntary and the firms can decide on their own which aspects of the social activity and to what extent will be revealed.

The large firms and TNC have formed Social Responsibility Committees, which involve representatives of labor and capital. These committees should be engaged in realizing all responsibilities on introducing systems for safe working conditions, protection the health of the employees, etc.

The business should realize that the social responsibility is not a PR campaign but a much more complex process. Really, the social expenditures are type of burden for the firms, but the potential options for future profits should also be evaluated.

The corporate donorship is possible only for the large recognized firms and is not obligatory for SME.

The micro firms are not obliged to give “administrative annuity”, equal to corruption, to the local tax and social services.

The managers of the large companies, as well as SME, should adopt the main ethic norms and moral rules of the business.

The managers of all companies, no matter the size or juridical construction, should improve the methods of leading a dialogue, considering the interests of the other stakeholders as well.

The managers should master the mechanism of social reporting and evaluate how possible is the disclosure of social information of the firms.

Undoubtedly, the CSR concept is extremely current. In the context of the European contract, the Bulgarian business cannot be aside from the European norms. This imposes continuing and deepening of the scientific studies in this area of the economic science.

ANNEX

List of the firms – participants in the study

No	Name of the firm
F1	"Sparky Eltos" JSC
F2	"ABB Avangard" JSC
F3	"Agropolychim" JSC
F4	"Solvey Sodi" SJSC
F5	"Kremikovtsi" JSC
F6	"Stomana Industry" JSC
F7	"Kumerio" JSC
F8	"Alcomet" JSC
F9	"KCM" JSC
F10	"Gospodinov & sons" LLC
F11	"Eliya" JSC
F12	"Bulmat" LLC
F13	"Acumplast" JSC
F14	"Philhorn" LLC
F15	"Ecoprocess" JSC
F16	"Imperial" LLC
F17	"SAF Trade Bulgaria" SLLC

Distributions of the firms by 1A criterion "Subject of activity"

No Branch	National or international company	Juridical status
F1 electrotechnics	TNC subsidiary	JSC
F2 electrotechnics	TNC subsidiary	JSC
F3 chemical industry	TNC subsidiary	JSC
F4 chemical industry	TNC subsidiary	SJSC
F5 ferrous metallurgy	Foreign investor – India	JSC
F6 ferrous metallurgy	Foreign investor – Greece	JSC
F7 non-ferrous metallurgy	TNC subsidiary	JSC
F8 non-ferrous metallurgy	TNC subsidiary	JSC
F9 non-ferrous metallurgy	Bulgarian	JSC
F10 furniture production	Bulgarian	LLC
F11 electrotechnics	Bulgarian	JSC
F12 home utilities	Bulgarian	LLC
F13 chemical industry	Bulgarian	JSC
F14 machine building	Bulgarian	LLC
F15 chemical industry	Bulgarian	JSC
F16 international transport	Bulgarian	LLC
F17 trade	Bulgarian	SLLC

Distributions of the firms by 1B criterion "Socially responsible initiatives of companies"

	Staff number	Subject	Collective labor contract	Safe working conditions (including safe food and clothes)	Working Conditions Committee
F1	1184	Human Resources Direction	+	+	+ (10 people)
F2	230	Human Resources Selection Committee	.	+	+ (10 people)
F3	1083	Human Resources	-	+	+
F4	940	Human Resources	+	+	+
F5	7500	Human Resources	+	+	.
F6	.	Human Resources	+	+	.
F7	980	Human Resources	+	+	+
F8	920	Human Resources	+	+	+ (10 people)
F9	1740	Human Resources	+	+	+
F10	120	Executive Director	-	+	-
F11	86	Executive Director	-	+	-
F12	60	Executive Director	-	+	-
F13	30	Executive Director	-	+	-
F14	18	Executive Director	-	+	-
F15	16	Executive Director	-	+	-
F16	12	Executive Director	-	+	-
F17	10	Executive Director	-	+	-

Distribution of the firms by 1B criterion "Socially responsible initiatives of companies"

	Donorship	Engagement to municipalities	Sustainable development	Global contract	CSR networks
F1	.	+	-	-	.
F2	.	+	-	-	-
F3	+	+	-	+	+
F4	+	+	+	-	+
F5	.	.	-	-	.
F6	.	+	+	-	.
F7	+	+ award	-	+ associated member	.
F8	.	.	-	-	.
F9	+	+	-	-	.
F10	.	.	-	-	-
F11	.	.	-	-	-
F12	+	+	-	-	-
F13	.	.	-	-	-
F14	.	.	-	-	-
F15	.	.	-	-	-
F16	.	.	-	-	-
F17	+	.	-	-	-

Distributions of the firms by 1B criterion "Socially responsible initiatives of companies"

	Firm training	Work medicine office	Supplementary pension insurance	Supplementary health insurance	Average work salary level
F1	+	+	-	.	.
F2	+	- Contract with team of doctors	.	-	.
F3	+	+	.	.	.
F4	+	+	.	.	.
F5	+	+	.	"Professional illness" and "Work accident" Insurance	786 BGN – 2006
F6	.	+	-	-	.
F7	+	+	+	Complex health insurance and "Life" risk insurance	1100 BGN – 2004
F8	+	- Health Center	.	.	.
F9	+	+	+	.	626 BGN – 2003
F10	.	.	-	-	.
F11	+	.	-	-	.
F12	+	Contract with Work Medicine Service	-	-	.
F13	-	-	-	-	.
F14	+	.	-	-	.
F15	.	.	-	-	.
F16	+	Prevention examinations	-	-	.
F17	+	Contract with Work Medicine Service	-	-	.