

## ***The Social Responsibility in Insurance of Consumer Protection in Terms of Quality Management Activity of Trade Enterprise of the Supply Chain Level***

***Natalia RAISCHI, Mariana SMOLEVSCAIA, Svetlana FEDORCIUCOVA***  
***Cooperative-Commercial University of Moldova, Kishinev, MOLDOVA***

[raischinatalia@rambler.ru](mailto:raischinatalia@rambler.ru)

[msv23@mail.ru](mailto:msv23@mail.ru)

[sveta\\_f05@yahoo.com](mailto:sveta_f05@yahoo.com)

***Abstract:*** *The application of social responsibility in the supply chain has become a key of promoting and spreading rapidly of CSR in the activity of commercial enterprises. Studies on production chains have focused mainly on the importance of setting minimum requirements for suppliers. While consumers have greater expectations and believe that quality standards are important when buying products. In order to ensure informed consumer decisions, it is necessary to ensure maximum transparency of the production chain in each trade enterprise. Both individual consumers and organizations dealing with their protection need accurate information from the first source on the supply chain, so that they can make informed decisions. A quality management activity comes to solve these situations through establishment of minimum standards that trade enterprises can use them from a double status position: as a customer or as a seller.*

***Keywords:*** *Corporate Social Responsibility (CSR), Consumer Protection, Supply Chain, Quality Management*

### **Introduction**

In recent decades, consumer protection issues are in the spotlight theory and economic and legal practice from all around the world. Complex problems through content and especially through the required solutions, make the theory of consumer protection increasingly be studied at the level of the various communities, governmental and non-governmental organizations. As an important side of the policy, which must promote a democratic society, the protection of consumers represents a set of measures concerning public or private initiative, intended to ensure and continuously improve consumer compliance. [1]

The comments related to the protection of consumers begin in the 18th century, with the phrase first formulated by Scottish Adam Smith, that the only purpose of the final product is consumption, the manufacturer is fully subordinated to consumer requirements. [2]

Currently, the consumer in his capacity as a spokesman of the request for goods has become a real partner on the market, whose occupied positions on the market are consolidating with the development of society. The sustainable development, the welfare of the society cannot be achieved only by maximizing short-term profits by traders, but rather through their responsible behaviour. The economic growth, the increase of the competitiveness, are increasingly linked to protecting the environment, promoting social responsibility and consumer interests.

According to market needs, the main function of a company is to create value through the production of goods and services, generating profit for the owners/stockholders. Social and market pressures have led to a change of the values and the horizons to which the market agents are related. Purchasing behavior of consumers increasingly affects more businesses, organizations, bodies and institutions; Therefore, is paid an increasingly great attention is paid to the consumer.

The phenomenon of globalization requires the business sector to participate in finding solutions to the challenges of time. At the World Economic Forum, as at 31 January 1999, former General Secretary of the United Nations Kofi Annan launched a challenge to the world economy leaders to join the *Global Compact* initiative, [3] the initiative that proposed to bring together companies, United Nations

agencies, unions and civil society to support universal principles around on society and the environment.

### **1. The Social Responsibility Concept**

An interesting concept in the managerial ethics debate is the social responsibility on three directions [4]:

- social obligation – activities meant to create and increase profit, observing the rules of a game, in a free competition, with no deceit and fraud;
- social reaction – a behaviour has to be in accordance with the expected values, norms and performances. A company with minimum social reaction means the observance of environmental, ecologic and social norms of its actions. When the organization has a strong social reaction it is involved in solving social problems;
- social reception – the responsible behaviour is anticipant and preventing. The term of social reception has recently appeared and it refers to defining the actions that necessarily include social reaction. The characteristics of a social receptive behaviour include taking position in a publication, anticipating the future social needs and the action taken to meet these social needs, the communication with the government on an existent or desired legislation etc.

CSR is a concept whereby companies voluntarily integrate social concerns, and protection of the environment in their daily operations, as well as in relations with stockholders, as they are increasingly aware that responsible behaviour leads to lasting success in business. [5] Companies should be aware of the existing problems in the "sphere of influence" and that affects their activity or are the result of their work.

Literature abounds with definitions of the concept of corporate social responsibility, without providing a generally accepted definition.

World Business Council for Sustainable Development ([www.wbcsd.org](http://www.wbcsd.org)) defines corporate social responsibility as "a commitment of businesses to contribute to sustainable economic development working with employees, their families, the local community and society as a whole in order to improve their quality of life". [6]

Petcu M. [7] defines corporate social responsibility as "the manner in which a firm operates under the legislative and regulations laid down by the company in accordance with the universal human rights" and Castka P. [8] considers that this refers to impacts that an organisation's activities has on the environment, social and economic environment in which they operate.

These definitions confirm the idea that the enterprise's social responsibility is a fundamental concept, in a continuous redefinition to match different needs from one country to another and from one historical period to another. In essence, the corporate social responsibility means a new attitude of the enterprise, which relates to the establishment of a lasting partnership with society.

Hereinafter we will emphasize the differences between donation, sponsorship and social responsibility [4]:

- Donation is a classical method by means of which a company offers financial support; it may be a part of the social responsibility strategy of the company or may be an isolated charity act;
- Sponsorship is another classical method of financial support, which brings advertisement and is deducted from the income tax up to 0.3% of the turnover;
- Corporate social responsibility can represent the sum of a donation and sponsorship in a long term strategy, but can take other form as well: voluntaries, expertise, services that are gradually offered to beneficiaries. Although it supposes a greater effort, the benefits to the company's image are considerable.

According to the Special Representative of the General Secretary of the UNITED NATIONS for business and human rights, the starting point of the social responsibility of companies should be the expression of "concern" for their own activity effects. The companies' activities have financial consequences, environmental and social and is natural for them to assume responsibilities accordingly.

There are a number of different ways that a company can take to operate the concept of "due care". In the 2008 Report of the Special Representative for business and human rights, it states that companies concern should be manifested in four areas [9]:

- *Policies*: companies must adopt their own policies of insurance of human rights;
- *Evaluations of impact*: companies must assess the impact of their own activities;
- *Integration*: human rights policies must be integrated throughout the company;
- *Monitoring*: companies must have systems for monitoring and auditing in this field.

Complex relationships between businesses and consumers, generates extremely diverse aspects, which may be the subject of CSR programs, which may include organic activities programmes of protection for consumers and correspond to the four areas described above. There are established the necessary strategies and instruments for the creation of an appropriate legislative and institutional framework will ensure real consumer protection.

The emergence of the concept of corporate social responsibility has led to a change in the management of enterprises. The old classical paradigm of firms, put the emphasis on their economic performance, namely: efficiency, productivity, profit. The new paradigm, socio-economic and environmental emphasizes the importance that should be given to the quality of life, the preservation of natural resources, the interests of the community and of the society. Since the last third of the last century, A. Toffler [8] wrote: "If we want the economy to help us understand and regulate new forces that aggresses the society, it will need to expand beyond its narrow traditional boundaries. . . it will have to extend the core concerns over energy and ecological processes. . . It is no longer enough to monitor the National Income calculations or gross national product, or to calculate the productivity in the old ways, not to mention the economic consequences of social learning processes, household work or raising children."

## **2. The Supply Activity**

The management of suppliers and quality of supplies have never been more important for the activity of trade than today. The supply is a crucial step in the development of trade enterprise. In such a way, the supply activity represent a process that includes the identification of needs, the choice of suppliers, negotiating price and other conditions of trading and following the order tracking until their delivery. [10]

In a market economy the role of supply activity increases, being supported of cooperation that must be made with the other activities of the trade enterprise. The relations that characterize the cooperation with the other functions may be characterised by [10]:

1. the existence of a growing trend of re-evaluation of the place and role of supply activity, this became a subordinate task with equal position in relation to other activities, because in activity of the trade enterprise, that is completed by the presentation of a corresponding assortment of goods corresponding to consumers requirements;
2. the management increasingly becomes aware of this activity contributes to the increase of the profit of the trade enterprise;
3. increasingly more often to this task is ensured a superior position as hierarchical level, being subordinated to the senior leadership;
4. we observe the increasing of the sensebility of all employees towards supply activity, both as a result of the negative influences that could cause, but especially the opportunities it creates.
5. increase the role of counseling and even participate in the elaboration of strategies for the development of trade enterprises;
6. it is put more and more the role of arbitrator and harmonization that may have supply activity between resource supply and demand for freight;
7. the increas the supply activity in relation to the requirements of the consumption takes place on the principles of total quality, i.e. meeting due to what the consumers require, how much is required, when is required, how is required, what price is wanted for.

The supply activity is one of the strategic functions of the trade enterprise because of the leading role of ensuring its competitiveness on the market. This is why the directions of development of supply

concerns, in particular, the activities of its specific strategic. Thus, depending on the role which accepts or is granted, the supply activity may have a [10]:

1. strategic information source;
2. an active participant in development strategies.

The **role of strategic information source** is derived from the location of the supply function has on the market for the supply of domestic and foreign, which, as a factor in purchase, collect a range of information useful to its own activities and the activities of the enterprise. The main informations may refer to:

- the evolution of demand-supply on the market for certain products;
- identification of trends in the evolution of future competition between suppliers;
- driving strategies of negotiations;
- price systems and the evolution of their ruling;
- the conditions offered by suppliers in order to influence consumer behaviour, etc.

Such information is used in order to identify opportunities and threats, and the development of policies for recovery or counteract the threats.

In the trade enterprise, the supply activity may also have a **role of an active participant in the development of strategies**. This role depends on its own work and the attitude of the other activities to supply activity. This role is manifested through:

- participation in the elaboration and justification strategies regarding to the purchase of goods, and in terms of offering products on the market;
- developing strategies of suppliers on the market, in accordance with the general strategy of development of the enterprise;
- establishment and development of strategies in the field of collection, processing and submitting of information;
- developing effective strategies in the area of insurance, training and maintaining resources in undertaking specific supply activity;
- assessment of the performance of authorities and stimulating outstanding results in the activity;
- development of specific organizational structures, in line with the role and place of supply activity occupies in the enterprise.

In its content, *this process is based on the task of laying down the supply chain.*

According to the general definition: "the supply chain of an enterprise is a business process linking manufacturers, warehouses, logistics, distributors and final customers, in the form of a collection of integrated skills and resources, which aims to contribute to the delivery of services and products to the customers".[11] In its classical meaning, the term of Supply Chain Management (SCM) includes the coordination and the management of all activities involved in the supply chain to achieve optimal performance.

For the trade enterprise, the Management Supply Chain represent an obligatory condition to the process of formation of a competitive commercial assortment and which would meet more fully the needs of consumers as well. In this process an important decision has the selection of sources of supply activity and suppliers.

The application of social responsibility at the level of the supply chain could become a key way for the promotion and propagation of CSR within the business of Commerce.

So far the Management Supply Chain of trade enterprise was focused mainly on the importance of setting minimum requirements for suppliers: compliance with delivery terms, the composition of lots of delivery by quantity and quality. However, many consumers expect more than that and consider that ethical standards are important when purchasing products or services. In order to ensure informed decisions of consumers, it is recommended a maximum transparency regarding to the supply chain at every company level. It is important that both consumers and organizations dealing with their protection should be provided information, so that they can take informed decisions.

Taking responsibility for the supply chain is not just setting criteria for suppliers, but also direct cooperation with them in order to achieve the common objective. A company can observe and monitor how suppliers fulfil such obligations through cooperation with them and through visits to suppliers. In order to ensure that the suppliers apply the required standards, companies may require from them certification in accordance with the standards required.

Another way of quality assurance within the supply chain is the labelling of the products. Such an example is the organic logo of the EU labelling. This type of labelling represents a way of informing consumers properly.

The systematic analysis of supply chain of trade enterprise, is necessary for developing a strategy to ensure the protection of consumers. Such a strategy should define areas of responsibility at the level of the company and to specify the manner in which the issue of consumer protection should be integrated into the criteria relating to Supply Chain Management. As far as possible, the companies responsible for the social side should ensure that, at all stages the supply chain respect the standards imposed by the company.

The companies, including trade enterprises, wishing to promote CSR at the level of the supply chain require their compliance of clear standards. In these situations, it appears reasonable to establish a minimum standard which the company can control as a buyer or as a seller. The application of such standards at the level of the supply chain can be a risky tool for the management in the company.

International Organization for Standardization (ISO) decided in 2004, in consultation with the various relevant actors, to develop an international standard of guiding the social responsibility of the organizations, called ISO 26000. [1]

The new ISO 26,000, released in the autumn of 2010, helps to existing efforts in the field of social responsibility by:

- the development of an international agreement on the concepts and issues relating to social responsibility and the issues to be addressed by different organizations;
- provides information on how the social responsibility principles can be put into practice;
- highlights good practices in the public and private sectors.

### **Conclusions**

We believe that the implementation of this international standard for social responsibility, is an important step towards effective solutions for issues of consumer protection.

Thus, ensuring consumer protection at the level of the supply chain, seeks a responsible approach from the point of view of consumers and which is at the same time, profitable for the company. In this context, for most companies, Supply Chain Management is closely related to the improvement of existing structures, the transparency of the logistical process, tracking supplies, informing by marking truthful and correct way of communication with suppliers, getting to choose between partners and ad-hoc acquisition.

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