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CSR Strategies in Banks. Case study: Erste Group

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Abstract. Starting from the major change of the banks' current status into the economy, which is primarily marked by the systematic concern for the contribution to the common good, this paper proposes an insight in the corporate social responsibility (CSR) strategy of the leading financial group on the Romanian market: Erste Group. Unlike Banca Comercială Română (BCR), Erste Group proves an assumed involvement in the CSR process, deeply connected to the organizational structure and introducing the term of sustainability as a corollary of environmental themes, diversity, community involvement and corporate volunteering. The case study demonstrates the group's influence on the CSR strategy of BCR by creating sustainable value for community. The comparative analysis highlights a significant influence of the CSR practices in the educational field developed by BCR through Erste Group. The parent-group contributes with a unitary vision to the CSR mechanism, being connected to the realities of the socio-cultural context in the Central and Eastern Europe. The present paper creates the basis for a complete understanding of the main factors underlying the CSR construction in Romania, pointing out the reporting differences, the benefits and the limits of this approach.

1. Introduction

Corporate social responsibility is currently considered a global concept related to the stakeholders' expectations regarding the entrepreneurial activity, which is seen more than profit or narrow adherence to the law. Under these circumstances, the financial institutions make a special effort to align their policies to the sustainability agenda and integrate the CSR issues in their operations, both at local and international level. The research methodology is based on a case-study of the leading bank from the financial environment in Romania in order to explore how CSR activities of BCR - Banca Comercială Română are influenced by the Erste Group, understanding the main characteristics of corporate social responsibility in the globalization framework.

This paper focus on Erste Group position towards corporate social responsibility through a complex case-study, the analysis advancing on several fronts up to the analogy with the CSR strategy of Banca Comercială Română (BCR), the major subsidiary of the group in the Romanian market. Despite the embryonic phase of the CSR development in our country, the mentioned group has succeeded in delivering a CSR basic model into the national framework. BCR - Banca Comercială Română was the leading credit institution from the Romanian financial system in 2017 by net assets (lei 67,734.5 million), in a sector that reported a net profit of lei 5,335.4 million in the same period [1]. The option for the present case study is due to the data provided by the National Bank of Romania and the basic role of multinationals as CSR influencers on the Romanian market.

Without presenting a particular CSR report, Erste Group has marked its international status by including CSR sections within the annual report based on the Global Reporting Initiative (GRI) standards and setting up the Group Sustainability Office in 2016. In this way, the financial group express its private concern for achieving sustainable value for community. Erste Group claims its position as a

responsible employer, taxpayer and customer of local suppliers, introducing the *sustainability* term. In an attempt to harmonize the environmental, community and financial goals, the group major premise is to obtain economic growth through sustainable development. Thus, Erste Group's position in the sphere of corporate social responsibility is strongly oriented towards sustainability, designing a composite structure of corporate strategy that includes specific CSR criteria and principles, based on three representative pillars: community - diversity - environment.

2. Literature review

The CSR concept includes various definitions and theoretical backgrounds, suggesting a lack of uniformity and a heterogeneity of perceptions related to the sustainability mixture. Bowen described CSR as “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” [2, p. 6], while Milton Friedman perceives it as the corporate capacity “to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game” [3, p. 112]. The corporate social responsibility term was also linked to the vision of John Elkington with the three main pillars of responsibility (*People, Planet and Profit*) and outlined in the “triple bottom line” approach [4], creating the space for a more major shift through sustainability [5] and its evolution phases: (1) smart growth, (2) sustainable growth and (3) inclusive growth [6].

The study conducted by Crișan-Mitra and Borza [7] involving CSR representatives, top managers and HR managers of large enterprises operating on the Romanian market suggests the reputation/notoriety and the organizational culture as the main benefits for these companies, while the CSR benefits for the banking institutions are considered: employee loyalty, economic efficiency, increased company reputation, improved communication banking sector - society, new opportunities and a strong organizational commitment [8]. The present analysis of the BCR-Erste Group status as responsible employer is in line with the findings of Dura [9] in the empirical case study on BRD-GSG, concluding that there is a need for a better integration of Occupational Safety and Health practices in the CSR development. Investigating the CSR communication on 160 companies pertaining to all sectors of the Romanian market, Iamandi [10] has identified a progress in terms of CSR involvement, the CSR development achieving a maturity level due to its transition from the commercial purposes to long-term strategic objectives.

At the national level, the Erste Group subsidiary in Romania, BCR - Banca Comercială Română, was on the top of the Romanian CSR Awards 2019 due to the efforts to sustain the employee engagement (*Money School - Helping you achieve financial independence*), putting a special emphasis on the employee volunteering. The actual status of CSR understanding in Romania needs a more detailed analysis of the CSR mechanism applied at the group level, as a comparison point for a more structured plan to include the sustainability practices in banks and to create an optimal context for the CSR development.

3. The community approach of CSR

The CSR approach of Erste Group is strongly oriented towards the community, with a dominant focus on promoting financial education and supporting disadvantaged groups, elements that are also found in the CSR structure at Banca Comercială Română. In the markets in which it operates, Erste Group encourages active partnerships with the NGOs and promotes corporate volunteering, its subsidiaries proposing different CSR schemes in the fields of arts, sport and culture, depending on the targeted geographical regions. Although the group's annual report highlights the existence of such CSR actions in Banca Comercială Română, which has supported the *Color Run* event, the *Shakespeare Festival* or the *Gopo Awards*, there is a lack of visibility of these initiatives at the national level by neglecting them in the official website of BCR. The *ExtraVALUE* sponsorship program developed by Erste Group is more than a philanthropic action, pursuing a CSR commitment based on the promotion of intangible values that can not be created by the bank, but which are valuable to it. The group provides direct access to the CSR information in an attempt to promote these joint efforts, increasing visibility for each country

where its subsidiaries have been implanted: Romania, Serbia, Hungary, Croatia, Slovakia, Austria and Czech Republic.

One of the Erste Group's key projects was *Erste Financial Life Park (FLiP)*, a unique worldwide facility developed through cooperation with Stanford University, Vienna University of Economics and Business, the Austrian debt advisory service and the Organization for Economic Co-operation and Development (OECD). It was dedicated to the young people in order to improve their financial knowledge. Erste Group emphasizes the lack of any marketing motivation in implementing this project, providing an integrated perspective of financial responsibility, which can contribute to the fight against the poverty. BCR aligns to this trend with a deep involvement in the field of financial education, supporting the access to education through projects such as: the *Fabulous World of Money*, the *Bank of Responsible Children* or *START! Business*. Moreover, the financial education has become a priority axis within BCR by mixing the specifics of the bank with the practical needs of the students through the project entitled *Summer Job in BCR*. This field has become a representative pillar of the bank's social responsibility strategy, proposing a readjustment of Erste Group's vision to both the young public and the educational environment in Romania.

4. Corporate volunteering and NGOs influence. A responsible employer profile?

A milestone in the CSR process of Erste Group was the establishment of ERSTE Foundation in 2003. The main purpose of this foundation was to actively contribute to strengthening trust in Central and Eastern Europe financial sector, Erste Foundation becoming in the same time a major partner of the CSR initiatives supported by BCR at national level. The Romanian banking system suggests the development of strategic partnerships with the non-governmental sector and the CSR projects of BCR confirm such a relationship. In this context, the ERSTE Foundation represents the extension of Erste Group vision on CSR in a progressive attempt to reinforce the CSR approach of the group. While BCR refers to the existence of a code of ethics described as a set of ethical norms, values and principles in order to build a fair relationship between both employees and society, Erste Group presents a detailed code of conduct, structured in a governance chapter and many other sections dedicated to the representative stakeholders (clients, employees, investors, society and environment).

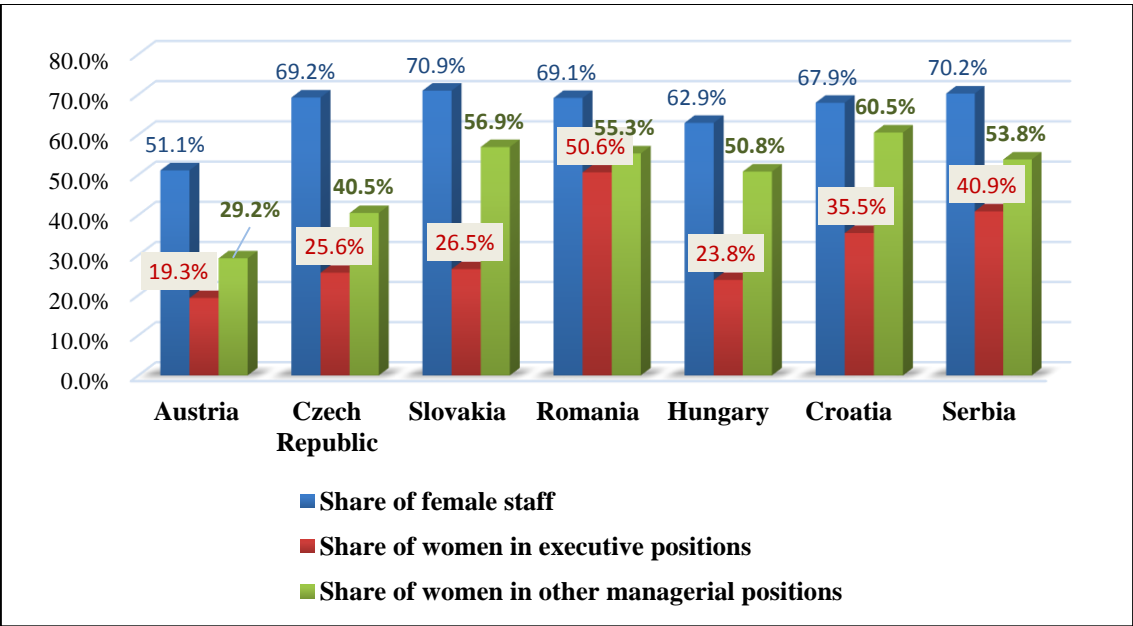


Figure 1. Diversity indicators at Erste Group level, 2017
 Source: author processing based on the data provided by [11]

The *Erste Time Bank* program, which encouraged the corporate volunteering, was stressed in the Romanian banking market through the civic leadership projects, of which the *Good Causes Award* seems to reflect in the best way the concept initiated by the group. Instead, the employee involvement has been particularly emphasized in Romania through the volunteering projects or donations, through the projects: *The Bakery of Good Deeds*, *Volunteering Year at BCR*, *The BCR Employee – a responsible citizen* or *2% for NGOs campaign*. According to the analysis, within the Romanian banking system the employees are involved in CSR actions mainly through volunteering. In this way, they are identifying with the organizational values and are increasing the access of the general public to the CSR projects, the banks directing the internal efforts of their staff in order to attract the external stakeholders. This particular feature of the Romanian banking market is the effect of a responsive public, linked to the community needs through the empathy and willing to directly participate to solve social causes.

Although the responsibility for its employees is less accentuated by BCR, Erste Group outlines its involvement as responsible employer. The data included in the Figure 1 suggest a majority share of female in total BCR staff (69.1%), a top position by share of women in executive position (50.6%) and significantly higher level of women in other managerial positions (55.3%). According to the Erste Group (consolidated) non-financial report 2017, the executive positions cover all the board and board-1 positions, while other managerial positions cover all positions from board-2, board-3 and board-4.

The idea of creating a well-balanced professional and personal life has been emphasized within the analyzed financial group through an effective infrastructure to promote health at work. The group has made remarkable achievements in providing counseling services from specialized psychologists or nutritionists, offering an open access to yoga, pilates or other physical activities. These occupational risk identification and prevention activities were well-highlighted at the Vienna headquarters, without any precise references being made to the Erste Group subsidiaries from other countries. Moreover, the analysis of the CSR sections included in the BCR website has demonstrated the lack of such practices in Romania. A similar CSR policy regarding the employees at both BCR and Erste Group level is the training opportunities, but there are also some discrepancies in terms of motivations. While Erste Group motivates its training option by a change of mentality, engaging its employees in a professional act perceived in a socially responsible manner, BCR has little direct mentions on this issue. This gap leads to a possible reference to the Labor Code provisions or to the financial constraints, by increasing the labor efficiency and, accordingly, the profit.

5. The diversity policy

Erste Group has defined its diversity policy by developing easily accessible services for all individuals, respecting their customers through a responsible marketing, offering equal opportunities for the labor force and improving the health to its employees. These elements are missing from the CSR approach of BCR, leading to a hidden form of marketing due to the BCR's preference for visible actions, whose impact on the public translates into an increasing attachment to the bank. Instead, Erste Group has a strong openness to the subsidiary solutions from the *Erste Women - Women's Club* program launched by Erste Bank Hungary in order to promote a balance between the professional and personal lives of women working in the bank, mentoring programs dedicated to them in the Czech Republic or Slovenia, and continuing with the customer diversity strategies (*Erste Women Talk* in Austria or the *Ladies Investment Club* in the Czech Republic).

In the same direction is the *George Go* application for visually impaired customers or the website developed by the *Barrier Free Banking* initiative (Czech Republic) dedicated to disabled customers, while the banks from the Czech Republic or Hungary support the integration of disabled employees into the organizational environment. Starting from the increased importance that customers attach to the online environment, Erste Group has adapted its services to their needs by focusing on innovation in order to build their own digital system and to trace a sustainability framework applicable to a long lasting relationship between customers and the credit institutions. Thus, Erste Bank Oesterreich has managed to open online bank accounts by meeting all the security requirements and regulations in force in this

field, while the banking services have been greatly improved to suit special categories of customers such as braille cards or ATMs equipped to provide audio support.

The Erste Group's efforts were directed to support the access of persons belonging to certain disadvantaged categories to a bank account through a wide range of facilities adapted to their needs. In turn, Banca Comercială Română did not have such a concern, neglecting the opportunity to increase the access of persons with disabilities/vulnerable to the banking services. The only innovation in this direction is *good.bee Credit*, a facility established by good.bee Holding GmbH, the financial inclusion component of Erste Group and Erste Foundation, in association with the Erste Bank Beteiligungen GmbH, which aims to provide microfinance to small entrepreneurs, especially farmers working in the Romanian rural areas. The data corresponding to the end of 2016 highlighted a number of 5.300 customers financed by *good.bee Credit* in Romania, representing a total lending volume of approximately EUR 56 million.

Under these circumstances, the credit products have the following composition: (1) the *Access Plus credit*, which is available to entrepreneurs in order to meet the capital requirements and the investment needs; (2) the *EaSI credit - without guarantees*, addressed to the Romanian micro-enterprises with a maximum of 10 employees and a total turnover and/or assets not exceeding EUR 2 million; (3) *credit for working capital* to finance the current activity of the enterprises; (4) *credit for investments*, in order to fulfill the organizational activity development plans; (5) *APIA credit*, used by entrepreneurs to finance the working capital in the period prior to the collection of APIA (Agency for Payments and Intervention in Agriculture) subsidies; (6) *credit to farmers*, which finance working and investment capital associated with the agricultural advisory campaign; (7) *credit to animal breeders*, which is intended to cover the current working capital needs and the investment plans for the mentioned categories of beneficiaries. The image campaign developed internationally by Erste Bank in the online media or TV environments by presenting the SMEs who have made their business ideas with the financial support provided by the group, reveals a general trend to expect material benefits from the CSR actions, the financial organizations being less focused on social responsibility and more to the brand improvement.

6. The environmental concern – a delusion?

Erste Group has defined a coherent environmental strategy through the proper implementation of environmental systems and supply chain management, the introduction of environmental criteria in the banking products and the active cooperation with the NGOs in this field. Despite the efforts of the group in this area, there is a conflicting point in the BCR evolution of average heat consumption, the bank proving a low concern for the heating reduction in the period 2011-2017, according to Table 1. Thus, although the average heat consumption per m² decreased in 2017 (129.1 kWh / m²) by more than 10% compared to the value of the first analyzed year (143.9 kWh / m² in 2011), the heating indicators are above those of average Erste Group consumption in Central and Eastern Europe, 99.1 kWh / m². Instead, the Erste Group's efforts to reduce the environmental impact have reached its peak with the inauguration of *Erste Campus*, one of the most sophisticated office buildings from Vienna, DGNB / ÖGNI certified. Measures to optimize the energy consumption and to manage the electronic equipment were also taken in subsidiaries from the Czech Republic, Serbia or Croatia.

Erste Group is sharing with Banca Comercială Română the principles of responsible financing, transferring it a moral duty to behave ethically and to influence in a positive way its clients through the environmental criteria, mainly in the energy sector. The investment fund market is underdeveloped in Romania, while at the group level there are a lot of sustainable funds promoted by Erste Asset Management. These are managed in accordance with the environmental policies, the corporate governance concern and the social responsibility objectives: Erste Responsible Balanced, Erste Responsible Bond, Erste Responsible Bond Emerging Corporate, Erste Responsible Bond Euro Corporate, Erste Responsible Bond Global Impact, Erste Responsible Microfinance, Erste Responsible Reserve, Erste Responsible Stock America, Erste Responsible Stock Dividend, Erste Responsible Stock Europe, Erste Responsible Stock Global, Erste WWF Stock Environment.

Table 1. Average heat consumption at Erste Group in the period 2011-2017

	Average heat consumption per m ²						
	<i>kWh/m²</i>						
	2011	2012	2013	2014	2015	2016	2017
Austria	102.8	86.7	82.9	72.7	68.1	92.0	79.8
Croatia	54.1	60.0	66.0	48.7	71.1	76.7	73.7
Czech Republic	102.7	121.8	105.9	90.7	89.0	96.1	107.5
Hungary	126.5	131.9	113.1	101.3	70.3	63.5	77.5
Romania	143.9	105.1	133.4	144.5	121.6	107.2	129.1
Serbia	176.5	131.4	96.8	85.2	65.0	69.0	74.8
Slovakia	124.6	112.6	92.1	79.1	61.5	84.4	87.3
Erste Group-total CEE	116.5	108.7	107.1	99.4	89.3	94.1	99.1

Source: author processing based on the data provided by [11]

The sustainable partnership with the WWF Climate Group is a valuable resource for innovation in this area, being recognized the reputation that the NGO has transferred to the group. The World Wide Fund for Nature (WWF) and ERSTE-SPARINVEST cooperation was strengthened in 2006 with the development of the Erste WWF Stock Environment investment fund. Moreover, ERSTE-SPARINVEST proceeds to constantly distribute part of its earnings to WWF Austria's water protection program. In Romania, only Erste Responsible Reserve proposes a responsible investment strategy on a short-time basis, focusing on those issuers whose policies encourage respect for the environment and the ethical and social responsibility issues. However, the investment opportunities fall within the area of a low risk profile, through bonds, money market instruments and other short-term mortgage bonds.

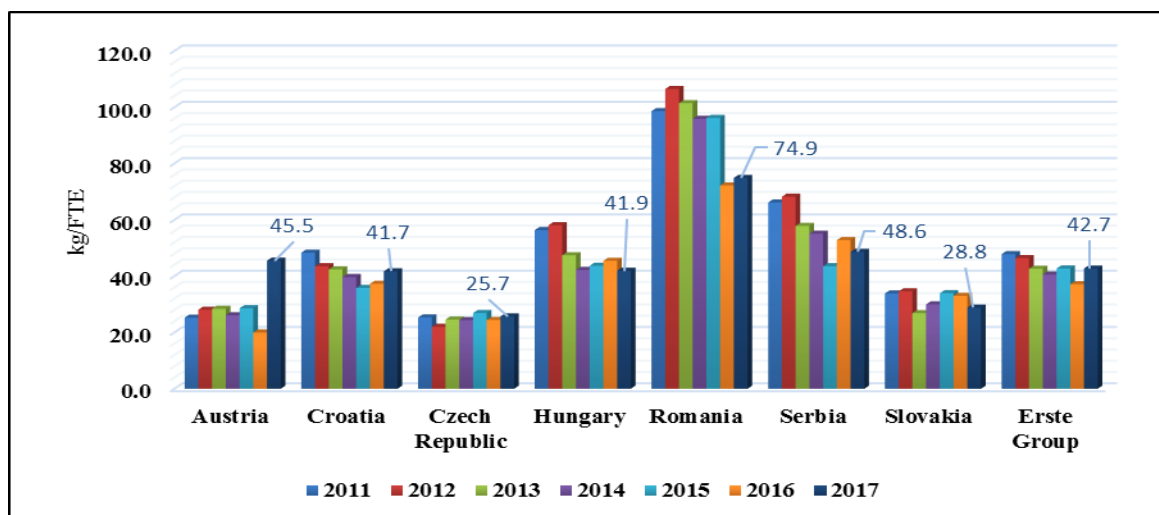


Figure 2. Paper consumption per employee, 2011-2017

Source: author processing based on the data provided by [11]

The paper consumption per employee is the highest for Banca Comercială Română (Figure 2), while the proportion of recycled copy paper was contrary to the rest of the states, with a minority share of the use of this type of paper in Romania 13.4% (2016). The winners of this process were Hungary and Serbia (100% recycled paper in 2016), while the rest of the states exceeded 85%: Austria - 88.7%,

Croatia - 99.9%, Czech Republic - 98.4% and Slovakia - 98.8%. This situation is explained by Erste Group due to the lack of available recycled fiber paper in Romania, while on the BCR website the impact on the environment is omitted. The only CSR reports available for Banca Comercială Română covering the period from January 2009 to September 2010, although temporarily outdated, lead to false-positive conclusions by presenting the bank's efforts to reduce energy or paper consumption and expanding solutions in the field of paper recycling, without a real possibility to compare these results. In this respect, Erste Group has more transparency in the CSR disclosure, offering a detailed description of the procedures applied in the resources management, from paper, electricity to heating consumption.

7. Conclusions

The comparative analysis has revealed a significant influence of the CSR practices in the educational field developed by Banca Comercială Română through Erste Group, which contributed with a unitary vision connected to the realities of the socio-cultural context in the Central and Eastern Europe. Specific projects have been developed in each country where Erste Group is present, but have retained the common role of the community component, with a special emphasis on partnerships with the non-governmental sector. The Erste Group subsidiary seeks to gain increased benefits through the NGOs cooperation, as they provide more insight and expertise due to a better knowledge of the local community. Instead, the activity of Erste Foundation was predominantly indicative at the national levels, with very few interventions on the local markets and a large adjustment power depending on the geographical conditions. The Erste Foundation sets out the major action lines, proposing key-projects that are adjusted, filtered and replicated in the socio-economic contexts of each country.

There is no doubt that the corporate social responsibility in the Romanian banking sector is influenced by the parent-financial group in a way that confirms the reposition of the community component in the center of the managerial concerns. Assuming that the Erste Group study case is a starting point for the construction of the CSR development analysis in the Romanian banking sector, due to both the economic features and efforts directed towards the CSR field, this paper illustrates the CSR tools used in the current context, highlighting the good practices of the Erste Group in a comparative analysis with Banca Comercială Română. One of the main contribution of the paper is the focus on the community issues and the employee volunteering growth, establishing a certain degree of maturity for the national market, even if there is a set of challenges that still remain.

On the one hand, the paper outlines the sustainability tendencies of the Erste Group corporate social responsibility and the significant influence on BCR through the community dimension. On the other hand, the CSR particularities in Romania suggest a gap in understanding the concept, due to the association with the marketing tools. The role of BCR as responsible employer is seriously questioned, being more related to the economic concerns and the compliance with the Labor Code provisions. Moreover, in a context of the global environmental crisis, the position of Banca Comercială Română is underestimated, the bank neglecting its influence power and poorly exploring the long-term benefits of the environmental management systems. The results derived from this paper are leading to a new CSR model, more structured and adjusted to the national context, keeping in the same time the foundation of the parent-group strategy in the field.

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