# CASE STUDY: TIM HORTONS SOCIAL RESPONSIBILITY. GET BETTER INVOLVED TO BETTER PERFORM?

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**Abstract:**
Tim Hortons is a fast-food company that has been comforting Canadians for over 50 years, and more recently, Americans too. Beyond its impressive profits, it is a mainstay of maintaining Canadian culture, both inside and outside the country of origin. Based on recognized corporate social responsibility (CSR) analysis models (notably those of Pasquerro (2004) and Reidenbach and Robin (1991)), this paper proposes to provide an extended description of Tim Hortons' social responsibility practices. The exemplary behavior of this company in terms of CSR is a source of inspiration for other companies working in the same field. In addition to increasing profits, Tim Hortons does philanthropy, innovates, demonstrates transparency and ethics, cares about protecting the environment, cares about employees and helps developing countries, which are its main coffee suppliers.

***Key words:*** *corporate social responsibility, Tim Hortons, fast food, CSR analysis models*

***JEL classification:*** *M12 Personnel Management*

## 1. Introduction

Tim Hortons is part of Canada's 50-year-old economic and cultural landscape. It represents a symbol of the development of Canadian fast food, but also an example of a company for which building relationships with its community is undoubtedly a major priority. In this paper, the authors propose to develop a description of Tim Hortons' social responsibility (CSR), using dedicated theoretical models, used in management schools in Quebec, one of Canada's major provinces.

### 2.1 Tim Hortons presentation

It was in 1964 in Hamilton, Ontario, Canada, that the first restaurant in the chain was opened by famed Canadian hockey player Tim Horton. Then, the company expanded from 1967 across the country, to open its 500th restaurant in 1991 and the 1000th in 1995. From a more strategic point of view, the company's 2014 year is marked by his acquisition by Burger King and the 3G Capital fund. Following the alliance with Burger King, Restaurant Brands International was born. This new entity is proving to be one of the largest management companies in the fast food industry around the world. Thus, the two brands, operated separately, can benefit from support and expertise of the group in their respective growth.

Here are some numbers that describe the picture of this new entity (according to Restaurant Brands International, 2016): 11 million customers served every day around the world at Burger King; 2 billion cups of coffee services at Tim Hortons restaurants; 19,000 + restaurants around the world; 200,000 children helped by the Tim Hortons Children's Foundation; $ 23 billion in sales worldwide; 450,000 employees around the world; 8 out of 10 (80%): Coffee cups sold in Canada from a Tim Hortons restaurant; 100: Number of cumulative experiences of the two flagship brands; 100: Number of countries in which the group is present.

Tim Hortons is an integral part of the Canadian business culture. It turns out to be a very strong brand across the country. The company holds the largest market share for filter coffee sales. In fact, 8 out of 10 cups of coffee sold in Canada are donated by Tim Hortons.

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This success with the company's customers makes it the largest fast food chain in Canada, in terms of the number of locations, but also the volume of sales.

**2.2 Tim Hortons socially responsibility (according to Pasquerro, 2004)**

Pasquerro's (2004) model describe eight elements on which an organization must work in order to optimize its relations with all his stakeholders. According to this author, corporate social responsibility represents "all legally required or voluntarily chosen obligations that a company must assume in order to pass for an imitable model of good citizenship in a given environment" (in M.-F. Turcotte (2013), 245). In what follows, we detail the components of Tim Hortons' CSR according to the Pasquerro (2004) approach,.

***Efficient management***

Tim Hortons is proving to be a profitable company, which has performed well in the past. In addition, in 2015, a total of 155 new Tim Hortons opened their doors. The company also made the decision to close 27 unprofitable locations in two US states, with the goal of focusing on markets that show more potential. The combination of Tim Hortons and Burger King under Restaurant Brands International is also thought to be part of efficient management. This merger is an important strategic element, which is part of a world growth perspective, which can be favored by their title as the world's third power in the fast food industry.

***Philanthropy***

From a philanthropic point of view, it seems that Tim Hortons understands its role, but also the duty it has to get involved in the communities it deserts, which are an integral part of its success. For example, the Timbits Sports Program raised more than $ 3 million across Canada in 2014. Over 300,000 children shared 2,400 hours of ice in 435 arenas and 1,700 hours of ice time. swimming pool in 198 sports complexes. In addition to allowing these children to practice a sport, the program aims to remind them of the importance of moving and fostering teamwork.

For its part, the Smiley Cookies program, which consists of selling a cookie on which a smile is drawn with icing, results in the delivery of all sales to a local community organization. In 2015, $ 5.3 million was donated to 500 organizations across the country.

Another philanthropic activity is related to the Tim Horton Children's Foundation's activity. The purpose of this foundation is to enable disadvantaged children to have a better future and thus increase their self-confidence. The stays they will spend in one of the Foundation Holiday Camps and the various community leadership programs offered aim to focus on developing skills that will be useful to these young people throughout their lives. In 2014, more than 17,000 youth traveled to one of the Foundation's camps and $ 11.8 million was raised as part of Camp Day.

***Solicitude***

The company has health and safety awareness programs for its team members to ensure a healthy and safe workplace. But the company goes further to help the most vulnerable people. In fact, it gave $ 2.2 million between 2005 and 2014 as scholarships for employees or their grandchildren. This program returns each year and all members of student teams, parents or grandparents in restaurants are invited to apply.

In addition, the importance given by the company to training and skills development is great. A leadership and operational excellence training program is offered to the leaders of each restaurant, while all team members can benefit from an online training center.

***Limitation of nuisances***

To reduce its environmental impact and thus promote social acceptability in relation to its operations, Tim Hortons is proving to be proactive in this regard. Thus, it provides for the design of its packaging with a view to efficiency in the aspects of transport and distribution. Energy use did not increase significantly between 2013 and 2014, although the volume of business grew. Between 2008 and 2014, the efficiency of order delivery operations to restaurants increased by

12.5%. Water consumption at the head office has been reduced by 35% since 2011. These achievements are shared in the Sustainability and Corporate Responsibility Report.

In addition, a pilot project is currently underway in 200 restaurants in Ontario. This project aims to reduce the ecological impact of restaurants and involves the integration of new concepts and new technologies into the design of new locations. So far, the project has saved 4 million kilowatt hours of energy.

Finally, with regard to the Tim Hortons Coffee Partnership presented above, the development of local know-how in the countries in which it is sourcing will have increased land efficiency by 80% and made 14,000 hectares are now sustainably harvested.

***Social receptivity***

When considering the company from coast to coast and aiming to have a relatively uniform menu across all restaurants, the environmental impact that results in greenhouse gas (GHG) emissions need to be considered. In order to promote social receptivity, the company turns out to be focusing on its environmental successes. In this sense, they are accessible to the general public through posters and other equipment in the restaurant, messages on TimTv or in various reports of the company, including the annual report and the report on sustainability and social responsibility.

***Ethical integrity***

From the outset, the Board of Directors has governance guidelines in addition to business ethics code. In fact, this document provides the board structure in addition to providing directors 'selection, orientation and evaluation. In addition, election policy and management oversight are planned. The presence of clear guidelines to orient the board 'activities is beneficial, thus reducing the probability of misconduct occurrence.

Also, a document is provided for all Tim Hortons corporate employees. This includes a message from the President and Chief Executive Officer at the time of its adoption, which has the effect of further legitimizing the content of the message to employees. The ethical and egalitarian values of society are recalled from the outset and the procedure for raising unethical behavior is presented. Their philosophy of "open communication" in addition to the importance given to confidentiality is recalled. These clarifications by senior management underscore the importance of the whistleblowing process and the importance of employee involvement in it, as "working together, we will maintain the superior quality of Tim Hortons while promoting our future success" (Tim Hortons, 2014).

In addition, it is important to emphasize Tim Horton's commitment in order to developing sustainable business relationships with the coffee producing countries. In fact, the company supports the communities that produce coffee, as demonstrated in the section on the "citizen participation" component.

***Accountability***

As a public company, the Tim Hortons is forced to shows many accounts. It must produce various reports to investors, but it is also transparent to the general public. Reports on sustainability and responsibility for activities are published in addition to the various documents that present the company's results, including the annual report.

***"Citizen" participation***

It is through Tim Hortons Coffee Partnership that the company helps disadvantaged communities who produce their coffee in the South Countries. Actions at the economic, social and environmental levels are planned. They will collaborate on community projects, alone or in partnership with other organizations, in order to leave sustainable infrastructures and allow the development of local know-how. In 2014, 4,830 producers was registered for a program that allowed them to take part in more than 20,000 demonstrations or technical training in the field. These actions translate into an empowerment and knowledge transfer program. This allows the sustainable development of the business relationship, but also the contribution to the progress and advancement of these communities, both in terms of knowledge and know-how.

### 2.3 Tim Hortons Moral Development Stage Modeled by Reidenbach and Robin (1991)

Reidenbach and Robin (1991) present a model (see the bibliography), which we consider to be important, if not impossible to circumvent, in order to analyze the actions of a company like Tim Hortons in relation to social responsibility. In this sense, considering the philanthropic implications of the organization, but also its contribution to the development of local youth and communities elsewhere through its Tim Hortons Coffee Partnership, we believe that the organization is between the fourth and the fifth model 'stage. While the interests of stakeholders are considered and respected, the organization must still meet the demand for returns from investors. We consider, however, that it tends towards the developed ethical organization, because of its strong ethical values and the influence of its actions, going as far as its foreign suppliers in the developing countries.

## 3. Conclusion

In short, the actions of Tim Hortons are fairly broad and have a reputation even in countries where it finds its suppliers. Whether supporting the communities in which its restaurants are based, through its donation and sponsorship programs, or by supporting the development of villages on the other side of the world, we consider Tim Hortons to be a socially responsible company which pay attention to all stakeholders that gravitate in his environment.

Also, we consider the company to be in a good position with respect to its international growth strategy, considering the strength of Restaurant Brands International. In addition, she will be able to count on the strength of the brand known to all in Canada and Burger King's experience on the international scene. Therefore, it will be interesting to repeat the study of the actions put forward, to validate that these have adequately followed the growth of the company and thus ensure that they still meet the expectations of each of the stakeholders.

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# THE MANAGEMENT OF GREEN CERTIFICATES IN ROMANIA

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***Abstract:***
*Green certificates remain a sensitive issue both for Romanian authorities, but especially among producers of renewable energy that thought they would benefit from the authorities' support for a long time. Thanks to a particularly generous support scheme (the most generous in Europe), there is a danger of producing a phenomenon similar to that produced in the real estate sector in 2006-2008 by creating an investment bubble in the field of unconventional energies. The renewable investment bubble would be choppy following the reduction in the number of green certificates, a government measure. Since the legislative measures to be taken on green certificates are not yet clear, there is a possibility that their number may fall or their volume drops from 55 euros.*

***Keywords:*** *renewable energy, green certificates, reducing emission, renewable investment bubble, efficiency*

**JEL Classification :** Q42, Q43, Q48

## 1. Introduction

Until 2012, there has been an increase in investments in this area of green certificates, together with the number of legal entities that benefited from the Romanian state support scheme.

The value of green certificates was calculated at a value of 55 euro / piece, the average value between the values of the reference years analyzed. The value of green certificates increased by 765.5% in 2012 compared to 2005, with the indication that the maximum was reached in 2012. Also, the number of energy producers increased by 48% in 2012 compared to base year 2005, which means a development of this sector.

## 2. Evolution of value of green certificates in Romania

This rhythm of growth is in line with the projections of the National Energy Strategy, with the Romanian state providing subsidies and aid to producers in order to increase investments in the renewable energy sector (Table 1).

**Table 1: Evolution of the value of green certificates issued compared to the number of renewable energy producers**

| Year | Green certificates value (million euro) | Number of green energy producers |
|---|---|---|
| 2005 | 0,4 | 3 |
| 2006 | 1,3 | 3 |
| 2007 | 2,5 | 20 |
| 2008 | 7,3 | 23 |
| 2009 | 13,3 | 31 |
| 2010 | 37,2 | 48 |
| 2011 | 95,3 | 78 |
| 2012 | 306,2 | 144 |

*Source: Data processed by the author based on statistics ANRE (2016)*

The decision to suspend (temporarily) green certificates trading will probably reduce the number of green energy market participants, especially the producers in this sector. At the same time, it is important for the market to remain dynamic and not to block itself on the basis of those public decisions, in order to avoid possible adverse effects.

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Perhaps a large number of producers will disappear from the market as a result of the decision to suspend green certificates trading, the large proportion will be among those producing small amounts of renewable energy. In support of them, the Romanian government promises to grant subsidies in order not to block their activity until 2017.

Renewable energy producers who own plants / parks with a capacity of up to 1 MW will benefit from regulated tariffs ranging from 69.4 Euro / MWh to 167 Euro / MWh. These tariffs will be granted according to the technology used by the producers.

The number of CV required to meet the quota in 2015 was 12,193,817 CV, and the share of CVs received by E-RES producers who benefited from them in 2015 were: Enel Green Power Romania with a 10 %, CEZ Romania with a 5% share, EDP Romania with a 5% share, Verbund Renewable Power with a 4% share and a 1.44% Hidroelectrica S.A are shown in Figure 1.

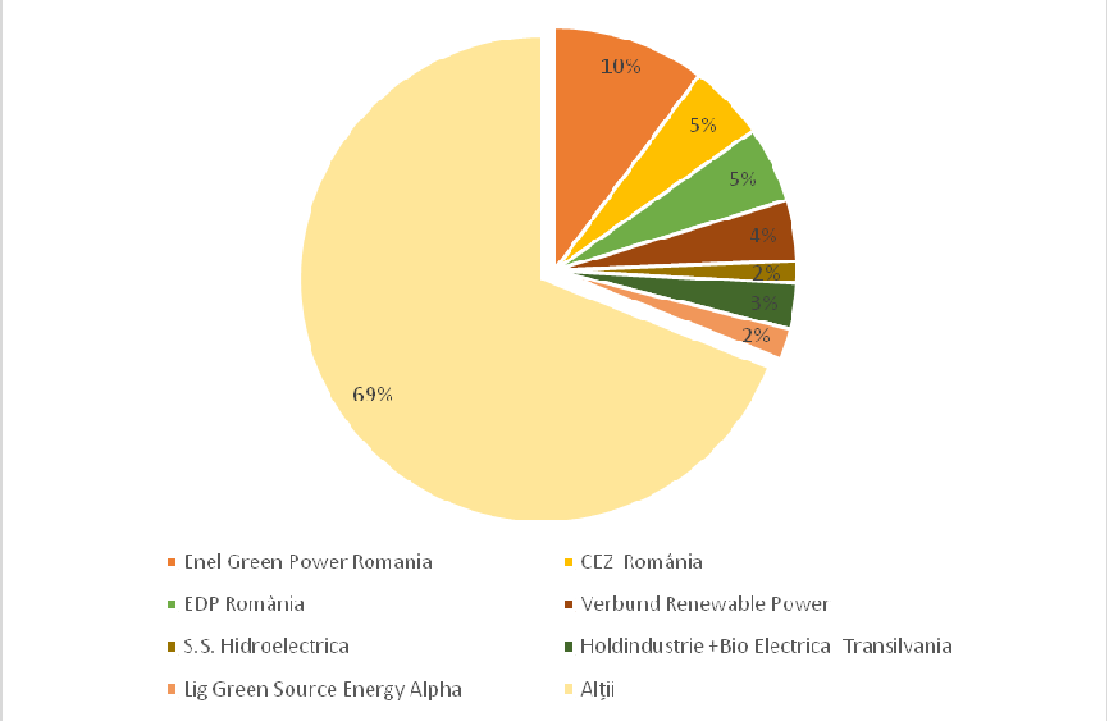


**Figure 1: Share of green certificates system received by manufacturers in 2015**
*Source:* data processed by the author on the basis of ANRE statistics (2015)

If at the beginning of 2009 the renewable energy field was underdeveloped, it is currently experiencing a considerable increase in both the number of market players, installed capacity, investments in the field and the results obtained from using this type of energy (Figure 2).

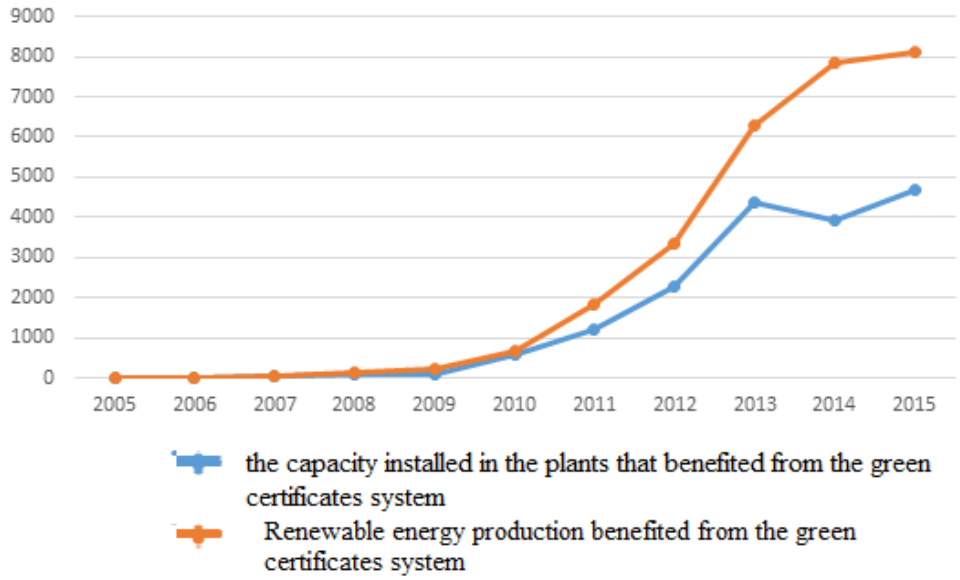


**Figure 2: The evolution of the renewable energy production quantity of producers who benefited from the green certificates system**

*Source:* data processed by the author on the basis of ANRE statistics (2005-2015)

Analyzing Figure 2 we can see that the year with the highest renewable energy produced in Romania is 2015, when the total energy consumption is covered by 15% of wind and solar, while the investments in the field tend to zero.

In Romania, out of the 25 wind farms, 8 of them are central probes with a total installed capacity of 1887.5 MW at the end of 2013, and with a total investment value of 2973, 8 million euro, 6 are managed by companies with Romanian capital, and the remaining 19 are owned by foreign companies.

The largest parks are owned by EDP Renewables (Portugal), with six parks, by Enel Green Power in Italy with five own parks and one jointly followed by CEZ with two parks.

However, the biggest capacity is the wind farm owned by CEZ, this company occupying the first place on the wind power market with the highest installed capacity and the highest value of the investment. The total value of investments in Romania, in production capacities, by type of technology, in the period 2011-2014 is 5.529 million euro (Table 2).

**Table 2: Value of investments in production capacities, by types of technologies, in 2011-2014**

| SER technologies | Investment 2011 | Investment 2012 | Investment 2013 | Investment 2014 | Total |
|---|---|---|---|---|---|
| **New winds** | 1.243 | 1.272 | 1.015 | 143 | **3.673** |
| **Hydro (new, refurbished)** | 61 | 67 | 240 | 36 | **403** |
| **Biomass** | - | 30 | 860 | 0.384 | |
| **Photovoltaic** | 3 | 62 | 1.228 | 43 | **1.336** |
| **Total** | **1.307** | **1.431** | **2.568** | **223** | **5.529** |

*Source: Data processed by the author based on statistics ANRE (2016)*

The two wind farms built in Constanta (Fântânele and Cogealec) have the supremacy in Europe with an installed capacity of 600 MW.

Regarding the solar parks, in 2012, there were 1082,103 MW installed in photovoltaic parks in Romania with a total investment value of 2 billion euros. Despite these investments, in Romania at the end of 2012 only three solar parks with a total of 2 MW operated.

## 3. Distortions on the Renewable Energy Market in Romania - Comparative analyzes

Regarding the distortions of the energy market obtained from renewable sources in Romania, we will aim at highlighting the malfunctions regarding the financing of this sector, the subsidies granted by the state to the investors whose projects have no financing to be completed, the defective management, the energy prices which evolves inversely in proportion to consumer incomes.

E-SER producers are the beneficiaries of CV subsidies, this cost being borne by industrial and household consumers through the monthly electricity bill. Although in the E-SER field, production capacity increased from 21 MW in 2005 to 4552 MW in 2015 and ANRE predicts continued growth, energy efficiency remains a problem for Romania because the economy and the national energy sector are not sustainable, the main causes being the poor organization and losses in this sector.

Distortions of the green certificates market are the result of subsidizing this sector, an intervention that changes the price of energy affecting producers, suppliers and final consumers of energy.

Renewable energy producers are beneficiaries of CV subsidies, their cost is borne by industrial and household consumers through the monthly electricity bill.

The number of traded green certificates increased 13 times, from 48 economic operators in 2010, to 622 economic operators in 2014, while the weighted average price, both in lei and in euro, was changing (Table 3).

**Table 3: Evolution of green certificates number traded on the renewable energy market in 2010-2014**

| CV | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| **Eolian** | 26 | 42 | 56 | 73 | 23 |
| **Hidro** | 18 | 32 | 47 | 77 | 81 |
| **Biomasă** | 3 | 4 | 7 | 14 | 19 |
| **Fotovoltaic** | 1 | 4 | 41 | 395 | 456 |
| **Total** | 48 | 82 | 151 | 559 | 622 |

*Source: Data statistics ANRE (2016)*

Financing the energy sector is a public decision, borne by all consumers, which affects the attraction of private funding and hinders real investment in this area. The lack of adequate legislation in the energy sector and a stable political climate have had adverse effects on attracting investment in the E-SER sector. While the liberalization of the E-SER market is desirable, it can't be sustained by the state at all times, the lack of investments in the field being a real problem.

Also, E-RES grants are only used through mandatory green certificate quotas. In this way, many investors have been able to benefit from the recovery of investments made by issuing and selling green certificates, not wanting to continue their activity on the energy market as operators.

Under these conditions, investors who have produced green energy and have managed to recover their investments are no longer loyal players on the market, abandoning their activity and withdrawing money from the Romanian market. In fact, they get a double win:

once they sell the business at the market price, recovering their money and once they have benefited from the subsidies granted by the Romanian state. This raises the question of those investors receiving subsidies of any kind and the fact that their grant should be conditional on a long-term commitment to the Romanian energy market.

The renewable energy market can't be truly developed in Romania due to the functioning of the electricity market. Thus, although we witness the liberalization of the electricity market in Romania in 100% since 2007, this is not really the case due to long-term bilateral contracts negotiated outside the stock market at prices below the market (centralized market of bilateral contracts), which represent approximately 16TWh, about one third of total consumption, we can't talk about a total liberalization of the electricity market in Romania. These contracts represent 80% of long-term contracts, indicating that the electricity market is about 20-25%.

The development of EE's production capacities in the SER is only apparent, since the approvals of documentation for the construction of a wind or photovoltaic park remain mostly in the feasibility study, with potential investors not finding sources of financing for investment projects.

Electricity in Romania has a distorted price, has not declined at all in recent years, contrary to the expectations of the Romanian authorities that have supported the development of green energy and the fact that the country has one of the largest national renewable potential. In 2012, the average price per MWh is 21% higher than in 2011, so for a company the average cost of electricity is $ 80 / MWh, compared to the U.E. of $ 65 / MWh. This can be explained by the fact that in Romania about 35% of the electricity price is composed of subsidies, eco-taxes, infrastructure and transport tariffs.

Electricity prices in Romania are considered small compared to the European average, but monthly consumer bills reflect fairly high values, largely due to the fact that markets are not properly regulated and liberalized. Also, prices rise very quickly and significantly in relation to the incomes of the population, which prevents their support in the medium and long term.

If the system of the electricity market in general and of the energy in the RES were based on perfect competition, the price of the product would be the result of the efficient use of energy resources, the ideal situation within the economic theory. The market mechanism can be radically influenced if the price of a good does not include the socio-economic costs resulting from its production.

Excessive volatility of energy prices and trading-related risk occurs when participants can not estimate the quantities produced and consumed, the manufacturer can't predict when its production capacity will be exceeded, and the energy seller can't estimate the demand. Thus, the price tends to have strong oscillations, mean values and variable dispersions, presents seasonality, the so-called calendar effect, characterized by increased volatility and unpredictable developments.

In the electricity market, although prices are largely regulated, they do not include the real socio-economic costs of the products traded. In the energy market the most common environmental externalities are difficult to quantify and often not included in the price of products and services.

Market prices do not reflect some of the costs or benefits associated with production or consumption, lack of socioeconomic cost assessment creates distortions, preventing price formation according to the supply-demand ratio.

Within the energy market of the RES, there are some major imbalances between the prices paid by households vs. on the one hand, and the prices of cogeneration power plants. individual consumer prices, on the other hand. These disturbances seriously affect the heating economy, a sub-sector, which is completely disconnected from European practices.

Renewable energy support schemes have further contributed to disrupting the proper functioning of the energy system.

In this situation, minimizing the impact of energy market transformation shocks, environmental externalities, and the risks associated with company penetration raise the issue of studying an optimal structure of the market for the existence of an optimum.

Although the costs of negative externalities are fairly high, they are borne by all consumers and produce inefficiencies in resource allocation, they are preferred to the detriment of alternative energy generating alternatives.

The different costs of the externalities resulting from the application of the technologies for energy production in the RES are relatively low. However, these technologies remain a rarity in the energy market due to very high operating costs. In these situations, in order to eliminate the distortions of the energy market in the RES, it is necessary to internalize the environmental externalities resulting from the exploitation of these resources

Distortions of the market are manifested in various ways: energy price changes, fragmented information of market players, inadequate subsidies, uncontrolled and insufficient investment, corruption, bureaucracy, negative externalities, improper management and losses in the electricity distribution network. Energy losses account for almost a third of consumption, largely due to old technologies, old buildings and inefficient transport systems.

Other constraints that may arise from climate change restrictions, reluctance to use nuclear power and the difficulty of further promoting renewable energy, due to higher costs.

The lack of informing the market players, the lack of information of the suppliers regarding the changes in electricity taxes, bureaucratic barriers and corruption, are other causes of the occurrence of distortions from the EER market of the EES.

In many cases the projects have documentation, have connections to the National Energy System but are not completed due to corruption). These distortions on the SER energy market can be corrected by monitoring investments for a period of 3 years.

In order to correct the distortions of EER market E, the subsidies for these energies and the indirect effects they produce should be considered: the real impact on prices, the production market, the pressure on transport networks.

Those who invest in green electricity production should benefit from a stable, fair and predictable regulatory framework that would provide them with conditions for meeting a calendar to maximize the economic performance of the plant.

## 4. Conclusions

In many cases, despite the fact that subsidy E of the RES is borne by all consumers due to the increase in production, it was exported to the exclusive benefit of traders.

It is often ignored that the price of electricity to the producer has decreased in Romania as a result of the market entry of renewable energy, which put pressure on all the producers to make the activity more efficient.

In order to correct the market failures of renewable energy, the following measures are needed:

- Renewable energy subsidies should be granted to those who make a commitment to long-term participation in the Romanian energy market. Subsidization introduces changes in energy prices - manufacturers, suppliers and end-users are affected. Many investors benefited from investment recovery by issuing and selling green certificates but did not want to continue their activity on the energy market as operators (they sell their investments at market price). Renewable energy producers receive free green certificates, which they sell on a specialized market for extra gains from energy. These green certificates are paid by all consumers in Romania, including by the population, in the final electricity bill.

- setting the correct energy price - about 35% of the electricity price consists of subsidies, eco-taxes, infrastructure and transport tariffs.

- internalizing externalities - market prices do not reflect some of the costs or benefits associated with production or consumption.

- the existence of bilateral long-term negotiated contracts at below-market levels (the centralized bilateral contracts market). This represents about 80% of long-term contracts. (OPCOM - Operator of the Romanian Electricity and Natural Gas Market).

- Monitoring investments over a period of 3 years (have documentation, have connections to the National Energy System, but projects are not completed due to corruption);

- investing in modern technologies and eliminating energy losses.

The measures needed to achieve the priority objectives are: regulations, energy audit, voluntary agreements and cooperation instruments, financial instruments, energy performance contracts involving the private sector (energy saving services), tax reductions, subsidies to private companies involved, advantageous loans granted by banks to private producers of renewable energy

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