

SOCIALLY RESPONSIBLE BUSINESS' PECULIARITIES AND ITS DEVELOPMENT

Juozas RUŽEVIČIUS, Vilma NAVICKAITĖ

This article analyzes the peculiarities and development of the socially responsible business and conception of the corporate social responsibility. The analysis of the corporate social responsibility practices in Lithuanian and global businesses was made according to the business' opinion about corporate social responsibility research, carried through by the World Bank, the research about transatlantic social reporting trends and the survey, accomplished by the authors of this article, about the peculiarities of the Lithuanian companies' membership at the UN Global compact. It was estimated, that the main difficulties of the socially responsible business' development in Lithuania are the lack of time and other resources, miserable consideration of the government and its institutions and the absence of the financial success.

Key words: corporate social responsibility, socially responsible business, voluntary initiative of the social responsibility, Global compact.

Introduction

Seeking for the highest quality of products and services companies must manage their work by following the principles of sustainable development. Because of the rising stakeholders' pressure, successful companies are engaged to deal their success with others and to benefit people, business and environment. Organizations are about to form informal social-economic contract between organization and its stakeholders. Today such a situation may be called "corporate life". The organizations are being motivated to improve both social and environmental practices and the cooperation with the stakeholders voluntary by the attempts of various international initiatives. In order to guaranty the durable partnership between the companies all around the world and the stakeholders concerned about the transparency of the businesses' results, organizations consolidate into the global Corporate Social Responsibility (CSR) networks, use various means to implement the concept of Corporate Social Responsibility into the business practice: from abstractly declared to standardized worldwide.

Today companies, both small businesses and big corporations are constrained to work inside the complicated environment, being affected by the values, concerns and intentions of the society. Businesses must be ready to make decisions under the conditions of frequently changeable environment. For this reason, organizations must cooperate with neighborhood community, and not to stay behind. The cooperation between society and organizations is being guaranteed by various good practice ideas, voluntary certified standards or systems, based on the concept of Corporate Social Responsibility. The main point of this article is to initiate the peculiarities of the content and practice of socially responsible businesses' worldwide and in Lithuania, as well as to determine the national companies' evaluation of the socially responsible business development and its main benefits. This work was created using the information of comparison of company's CSR documents, nonfiction literature, organizations' social research, mathematical and statistical methods.

1. Corporate social responsibility

Though the concept of Corporate Social Responsibility firstly was introduced in 1930, there is no united definition of CSR and it is still being the target of various authors' dispute [1-9]. In general the CSR may be defined as the guaranty of the organization's economic success, including social and environmental issues into its daily practice.

The Corporate Social Responsibility may be analyzed in two dimensions: the internal dimension and external dimension. Each of the latter contains other several aspects, based on the concept of CSR (Fig. 1).

Socially responsible company firstly is being concerned about its employees and problems such as investment into the human resources, employees' health and safety guaranty. Organization must put in its practice the environment protection, usually related to the management of the natural resources used in company's production process. Organizing their daily work like this, businesses may guaranty and gain the competitive advantage. Companies depend from the local communities: they employ the majority of workers from the local labor marker, so they are concerned about people's health and their qualified education. Organization's social performance may be also affected by other stakeholders, such as competitors, clients or suppliers. So CSR covers not only the company's performance itself, but the whole supply chain as well.

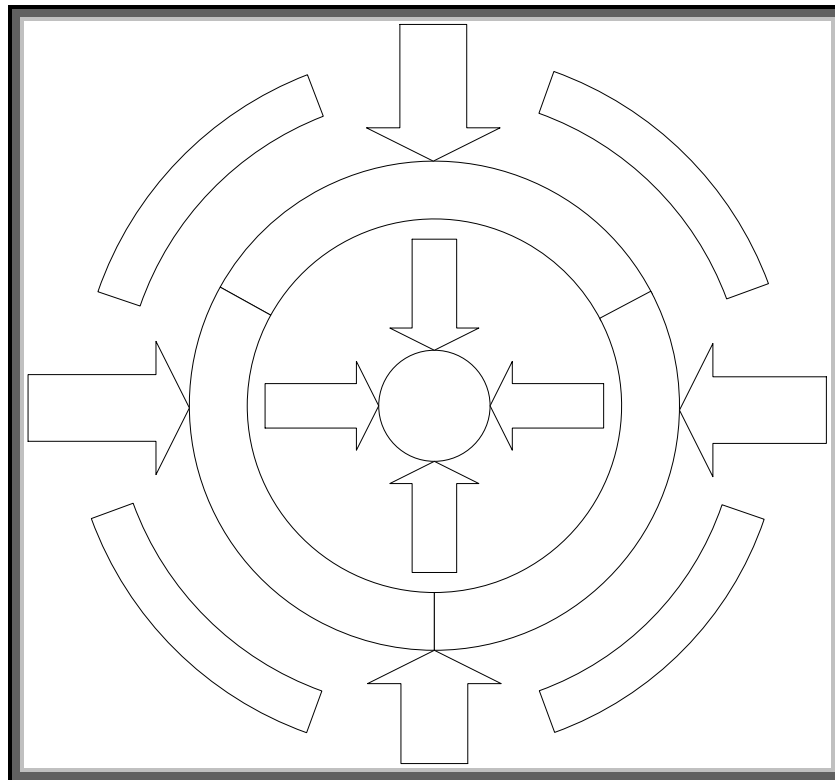


Fig. 1. Corporate Social Responsibility and its dimensions (created according to [3])

CSR concept as a guideline for the company's daily performance might guarantee business success and commercial benefit to the organization. Also it helps to gain a good reputation, name and company's image as well as community's assurance. Customers want the reliable supplier well known for its high quality production and services. On the other hand, suppliers would like to deliver goods for the client that won't run away and meet its financial commitments on time. The local community prefers to be assured that organizations' performances will guarantee social and environmental welfare. Finally employees would like to work for the company they might be proud of and realize their personal input value.

Every organization chooses how it would like to implement the CSR concept into its daily practice: whether it will be only the good practice idea, a certified social responsibility system according to the standard SA 8000 ("Utenos trikotažas" AB – the first Lithuanian company, certified for the mentioned system) or the membership at the international socially responsible businesses' network [6]. One of the best-known international networks of socially responsible businesses is Global Compact (GC), presented by the United Nations (UN) in 1999. Global Compact – the biggest voluntary worldwide initiative of corporate social responsibility seeking two main goals: firstly – to help organizations to implement the principles of GC into business' strategy, secondly – to force communication and partnership between various sectors inside and outside the country while seeking universal aims of world's development. This above-mentioned initiative invites all the companies to implement ten main GP principles such as: human rights, employee rights, environment protection and dealing the corruption. Global Compact covers national networks at all members – states and thus proceeds in the level of each country. Lithuania has the GC national network as well. Today it contains forty members and is the most popular means used for implementation of CSR into Lithuanian business daily practice.

After the short overview of the Corporate Social Responsibility's matter, it is advisably to generalize the results of the latest researches' made in the field of CSR. Exceptional two of them: the first one – carried through by the World Bank in order to find out the business's opinion about corporate social responsibility; the second - research about transatlantic (USA and Europe) social reporting trends, made by the British consultancy company "Context". The survey was made by the authors of this article as well. The latter differs from the previous two, because it is more specified. The main purpose of the mentioned research is to find out the real benefit of the socially responsible business

2. What does business think about corporate social responsibility?

The World Bank carried through the survey seeking to find out the opinion of the heads of the companies in Lithuania, Latvia and Estonia about the Corporate Social Responsibility and its implementation into business practice. The main aim of the mentioned survey is to find out how the companies' heads of each country realize CSR and how they determine their managed companies performance inside the society. This project is a part of the broader World Bank pilot program "Enabling a Better Environment for CSR in Central and Eastern Europe (CEE) Countries". The primary goal of this project is to establish and support new dialog within CEE countries about the CSR value and its promoting means.

The survey respondents were selected from 300 companies in each country, which had the greatest annual turnovers and/or the biggest number of employees. The number of respondents in Estonia was 80, in Latvia – 83, in Lithuania – 80 *as well*. The selected organizations represented different economic sectors, ownership structures and sizes. The survey covered 36 questions that were asked during the individual interviews with the companies' executives. The results of this survey show the view of a private sector about CSR and overview the level of its practical implementation in each of the country. In spite of the similar historical basis and economics situation of the mentioned countries, there are still quite enough differences between them.

Understanding the CSR Concepts. The concept "stakeholders" is being understood in Estonia, Latvia and Lithuania rather differently. The Estonian respondents tend to have more liberal and commercial view; meanwhile Latvian and Lithuanian respondents are about to have more institutional opinion. In all three countries the CSR is being understood differently. But generally the survey results showed that in Estonia and Lithuania the understanding of CSR is more or less connected to the stakeholders and environment protection. The views of all three countries about their performance inside the society are very similar, and it is being realized as seeking for the profit, paying taxes, keeping all the jurisdictional matters, employees' safety and health guarantee.

Codes of Conduct and Transparency. Codes of conduct are most common in Latvia, where over 80 percent of companies have such written codes. The rules for dealing the corruption are most widespread in Latvia, where 45 percent have written rules. Meanwhile the highest level of reporting might be seen in Lithuania: 31 percent of Lithuanian companies prepare environmental, 28 percent – social reports. Lithuanian companies most frequently organize regular meetings with stakeholders (79 percent).

CSR Practices' Benefits, Risks and Barriers. Estonian and Lithuanian respondents provided generally similar views about the real CSR benefit, meanwhile opinion, expressed by Latvians respondents quite defers from the previous two and is more positive. Despite of this difference all three countries come to a consensus that the main CSR benefit is positive influence to the company's reputation and image

The main difficulties and barriers of CSR implementation into business practice may be divided into two groups: the first – financial barriers, related to the government and its institutions, the second – human resources barriers. Estonian and Latvian organizations are convinced that the most common is the first group of CSR difficulties – financial barriers, specifically the cost of CSR implementation. Lithuanian companies, on the contrary, think that the more important are institutional barriers, such as the absence of proper regulation. Finally both Latvian and Estonian businesses penetrate much more other risky factors, connected to CSR, than points out Lithuanian companies.

Overall results of this survey and the view of social economical context expressed by the companies respondents show that the corporate sector evaluates itself as market orientated and open for the competition. Organizations realize their performance more as economic and rational than social and altruistic. Companies consider themselves as those able to act socially responsible and possibly already are doing so, but do not have any economical stimulus to go further.

3. The transatlantic social reporting trends

Context, the British consultancy company, in 2005 carried through the survey about the reporting habits of the biggest US and European companies [2]. The mentioned survey enabled to find out the main trends and peculiarities of social reporting in the USA and in Europe. Comparing biggest American and European corporations the following conclusions were made. First of all it was noticed that almost twice a greater part of 100 biggest European organizations provide social reports if compared with 100 top companies in the USA. Moreover, this mentioned habit (social reporting) is becoming popular much slower in the USA than in Europe. Do the survey results indicate the indifference in the topic of CSR, in other words a lack of US concern maybe for social and environmental issues and their impact on business? Analyzing this question

passing one might come to that kind of conclusion. But one should put under the consideration that companies of the USA acting inside the biggest and the best-developed market were automatically protected from some social threats that were met by their European companions. But US companies are intensively penetrating into the rapidly developing markets and thus realize the influence of all the social changes, both threats and opportunities, to their business as well as their companions in Europe.

Firstly companies that provide official reports were identified and how long they have been doing so. After that the content of those reports were analyzed: what they (reports) cover, are they filled with the stakeholders' comments, etc. Despite the slow start, increasingly more European companies started to implement the politics of social responsibility and at the end of 1990 exceeded the USA reasonably. Today it is very unusual for any of the leading company in Europe not to publish the information about organization's impact done to the society and environment. While just a bigger part than a half of USA top companies still do not do so.

Even if there are reasonably more European companies, which provide printed official reports, almost all organizations of both regions, provide information about their socially responsible practices inside their web pages. The latter usually covers only the general information about the politics and defines the practices and do not provide, what was actually done during the last year.

So, despite the fact, that the survey covered companies from essentially different regions, generally the results showed that British and USA organizations provide public reports about their social and environment practices. Finally the survey confirmed the importance of so often discussed question about the transparency of the social reporting. It is obvious – provided reports by the companies still require lots of improvements.

4. The study of the peculiarities of the Lithuanian companies' membership at the United Nations voluntary social responsibility initiative Global compact

The idea of CSR (responsible business' practice without trespassing the human and employees rights, dealing with corruption, protecting the environment and doing good to the community) – the basis of the UN's GP initiative – is not being well known in Lithuania or is being misunderstood. It is not implemented widely into the companies' practices either. For this reason CSR in Lithuania – is being analyzed miserably. The practice of socially responsible business is quite new phenomenon, officially emerged only one and a half year ago along with the United Nations Development Program's invitation: Lithuanian companies to join the network of the voluntary socially responsible business initiative "Global Compact".

The latest CSR researches and their summarized results lead to the general characterization of the opinions and views expressed by the analyzed companies that tries to implement the CSR concept into their daily practice. Those surveys highlight main possible barriers, risks and disadvantages of CSR practices as well. As it was already mentioned before, national GC network in Lithuania contains up to 40 members. This network unites all the companies worldwide that believe being socially responsible. The decision to carry through the survey including only Lithuanian organizations - the member of the GC national network - was made because the majority of previous surveys and researches were dedicated only for general overview of respondents' opinions, but not to clear, for example, the actual benefit of CSR practices. For this reason the survey of the peculiarities of the Lithuanian companies' membership at the UN Global compact was made. This is the first that kind of research made in Lithuania.

To realize the mentioned survey, the questionnaire was formed and sends by e-mail to all forty member of the national GC network. Only fourteen filled questionnaires returned but it was still possible to point out some trends of the survey topic. Firstly, respondents were asked to evaluate all the practical aspects, essential in developing the socially responsible business, using the ten-point evaluation scale. The aspects were listed as follows:

1. Employees' welfare, development and motivation;
2. Society needs (reduction of incapacity, new workplaces and ect.);
3. Customers need (products and services accessible for a wide range of customers, handicapped included);
4. Compliance to the environmental regulations and rules;
5. Promotion of the environment protection along whole supply chain;
6. Effective usage of all kind of resources (seeking to protect the nature);
7. Fighting the corruption.

The results of the survey showed that for majority of the respondents (71 %) the aspect "Employees' welfare, development and motivation" is really important, because the noted part of respondents evaluated

this aspect by the highest mark. The same part of questioned companies (71 %) pointed out that practical aspect “Fighting the corruption” is as important developing the CSR practice as the first one. Almost 43% of respondents believe, that developing the socially responsible business it is quite important to respect “Customers needs”. Another part of them (57%) agrees that caring about “Society needs” will also help to develop the CSR practices. Companies do not handle the “Compliance to the environmental regulations and rules” as one of the essential aspects. The latter was evaluated as neutral by the 43% of survey respondents. It is reasonable to mention the aspects that were pointed out voluntarily by the organizations. These are the ethic standards, official wages and various charity programs.

The members of the national GC network that attended the survey, indicated the following most important reasons, influenced companies’ decision to initiate the socially responsible business:

1. To draw ones attention to all the badness tolerated by our society (corruption, “wages in the envelopes”, etc.);
2. To encourage employees to be proud of the company they work for;
3. The consciousness of the directors and the shareholder of the organization, that their company cannot be separated from the society;
4. Attendance at the global market, partnership with foreign business’ structures;
5. Concern about the image of the organization;
6. Demand to keep and take care of highly qualified employees.

During the survey process, the main reasons that caused respondents’ final decision to join the UN GC network were indicated. One of them is the opportunity to exchange the good practices in CSR, news, information and even innovations in the field of CSR. The latter was pointed out as the main one by the 86% of survey respondents. Another 75 % claim that they were encouraged to join the GC network because of the possibility to create more competitive trademark or company’s image. 57 % of respondents believe that entering the GC network they will benefit from the increased competitiveness advantages of their companies.

Seeking to find out whether socially responsible business will really or already benefit the company, the respondents were asked to evaluate all the possible advantages the development of CSR might cause. It appeared that the most valuable reasons were: the guaranty for the friendly society’s attitude towards the company (pointed out by almost 36 % of the respondents) and increased sales in the local market, better image of organization, favorable governments’ attitude towards the company (29 %).

It is obvious that developing socially responsible business organization will have to face various barriers, difficulties and risk as well. All the possible barriers that companies might meet, or already have met while implementing the CSR concept, were listed on the questionnaire. Almost 29 % of all survey active participants pointed out that the main difficulty developing socially responsible business are the lack of time and other resources, insignificant attention of government towards CSR development and the absence of financial success that should be guaranteed by the socially responsible business’ development. The neutral evaluation was given to such reasons as too great investment is required for CSR implementation and the increase of overall companies’ costs.

Conclusions

Summarizing the importance of implementing the CSR concept into the companies’ practice, it is noticeable, that the image and reputation of organization in the social and environmental fields, more and more affect consumers and customers. The labor market is very competitive and qualified workers prefer to work for and to stay at those companies that do care about their employees. Because the latest achievements in the area of social responsibility influence investors’ decision making process, and the market of ethical investments increases even more rapidly, organizing company’s work according to the CSR idea, may be the reasonable occasion to become an attractive investment object. About the inevitable organizations’ willingness to become part of socially responsible business proclaim frequent actions important for developing the CSR concept that become more tangible and better publicly announced as well.

The results of the researches made in the Baltic States show that the opinion about companies’ performance inside the community and the CSR concept are quite similar. The transatlantic survey, carried through to highlight the social reporting trend in the US and European companies, indicated that the majority of analyzed organizations their public reports place into their web pages. The biggest part of those report are still inaccurate thus must be corrected. The results of the authors’ survey evidenced that the most important aspects of practice for the member of UN Global Compact network are employees needs, their professional, personal development and motivation, and also fighting the corruption. While talking about the companies’

decisions to go for socially responsible business, two main groups of reasons must be defined. The first one – is dealing the corruption and the second – caring about stakeholders needs. The opportunity to change the experience in CSR practice, information and news, and beneficial companies name or trade mark – these are the main reasons caused organizations decision to enter the national network of GC in Lithuania. According to the results of this survey the main benefit of developing socially responsible business is friendly attitude of the society towards the company, and the main difficulty developing socially responsible business is the lack of time and other resources. The majority members of the national network of GC in Lithuania do not provide public reports at all.

Lithuania - is concurrent of the global processes. Thus increasingly bigger numbers of organizations are interested in the CSR concept, and those already being as part of socially responsible business, more and more often require the adequate behavior from the supply chain partners as well. CSR is not fashion. It is the result of rapidly matured society that might be felt through the responsible customer's behavior in choosing the buying products, socially responsible investment. CSR – is the matter of long term and sustainable business. It is financial and non-financial profit. CSR is the process slowly becoming into the global chain reaction.

REFERENCES

1. A guide to social responsibility. Business Impact Task Force. 7 part. The guiding principles (2000). UK: Business in the Community, 12 p.
2. Corporate Responsibility A United State (2005). London: Context Group, 28 p.
3. Green Paper. Promoting a European framework for Corporate Social Responsibility (2001). Brussels: Commission of the European Communities, 32 p.
4. Jakulevičienė L. (2006). Pasaulinis susitarimas Lietuvoje, Kvadratinio stalo diskusija apie socialinę atsakomybę: pranešimų medžiaga. Vilnius: Jungtinių Tautų vystymo programa, 10 p.
5. Kotler P., Lee N. (2005). Corporate social responsibility. Hoboken, NJ: John Wiley & Sons, 295 p.
6. Ruževičius, J. (2006). Kokybės vadybos modeliai ir jų taikymas organizacijų veikos tobulinimui. Vilnius: Vilniaus universiteto leidykla, 2006, 215 p.
7. The journal of Corporate Citizenship (2003). Greenleaf Publishing Limited, Issue 11, 148 p.
8. What Does Business think about CSR? (2005). Ryga: N.I.M.S, The World Bank, 93 p.
9. Turner M (2004). Efforts to build a better world, Financial times „Business and Development“, p.24.
10. Žirgūtienė S. (2005). Kokybės vadybos vaidmuo Lietuvos ūkio globalizacijos procesuose, Respublikinės kokybės vadybos konferencijos pranešimų medžiaga. Kaunas: Technologija, p.183 – 188.