

CASES STUDY OF CORPORATE SOCIAL RESPONSIBILITY IN LITHUANIA'S BUSINESS SOCIETY

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Abstract. Changing economy also, the status of Lithuania as a member of the EU forces entrepreneurs of our country change their attitude towards people working in their enterprises. The article is devoted to reveal the prerequisites for the formation of corporate social responsibility (CSR) and to set CSR ranges. It may be noticed that the activity of responsible business can be very different and various benefit receivers can involve in it. Some important differences can be noticed on comparison Lithuanian experience in CSR sphere with foreign countries experience. The main factor that encourage businessmen' responsible attitude is the pressure of clients or society. In Lithuanian enterprises such initiatives (cases) are prompted by foreign partners or mother enterprises. These cases study work inside enterprises and concern their partners they collaborate with. Lithuanian enterprises pursuing similar initiatives often follow internal moral or ethical needs. This fact illustrates that in Lithuania the main incentive mechanism of CSR concept i.e. attention to requirements of responsible consumers does not work yet. Despite all the differences and restrictions socially responsible business ideas spread continually in Lithuania. Pursuing socially responsible business policy an enterprise pursues responsible attitude towards business partners, towards community and environment.

Keywords: corporate social responsibility, the social responsibility of enterprises, the standards of business ethic, ethic code, environmental protection, business orientation.

1. Introduction

Analysing business influence on environment and society new viewpoint is being formed, what the business formula of the 19th century should be [1]. It is increasingly relevant to secure that enterprises initiate the care of natural environment and society beside their financial objectives. The environment and business are strongly associated and business success depends on enterprise's ability to integrate into environment and feel social moods of society. The necessity to secure the sustained and harmonious expansion of economy and society is the task of government, civil society and business representatives. In business area more and more often is spoken about business ethic (especially since last century 70's), about socially responsible business and corporate social responsibility [2, 3].

The subject of this article is business social responsibility in Lithuanian business society.

The aim of the article is to analyse the development of social responsible business in Lithuanian. The main tasks to achieve this goal:

- Analysis of Corporate social responsibility concept and it's implications on Lithuanian companies;
- Analysis of corporate social responsibility development in Lithuania;
- Discussion and evaluation of the role of corporate social responsibility in Lithuania.

The problem of research: today social responsibility is still a nice word in Lithuania, it is not a common phenomenon; for this reason it is necessary to reveal the importance of social responsibility in everyday activity.

2. The development of corporate social responsibility

CSR has already gained a growing recognition as a new and emerging form of governance in business. It is already established in a global context, with international reference standards set by the United Nations, Organisation for Economic Cooperation and Development (OECD) guidelines and International Labour Organisation (ILO) conventions. CSR applies to a wide variety of company activities, especially in

enterprises that operate multinationally in very different social and environmental settings. But it is a voluntary system, and as such, lacks objective, consistent and transparent criteria for workers, consumers and other stakeholders to measure company performance.

Nowadays business orientation to socially responsible business is determined by common tendency when both individual persons and participators of collective activity realize their responsibility for all those people who are influenced by results of their activity. People, organizations, enterprises and institutions are studying to pay attention to this and to take responsibility. Issues on business role in society have raised a lot of arguments "for" and "against" the behaviour of socially responsible enterprises. It might seem strange that some argue stating that social responsibility of enterprises is not a positive matter. However, among the critics of enterprises' social responsibility well known people can be found. American economist Milton Friedman, the recipient of the 1976 Nobel Memorial Prize for economic science has argued that the only one business responsibility is to increase profit [4]. According to him, all other matters can lead to socialism. Matchless power of free market consists of its ability to distribute resources effectively and for this reason, enterprises' directors who strive greatly to secure the welfare of the people, they choose false strategy, because they simply forget the most important their function in market i.e. to compete and win.

3. Corporate social responsibility in Lithuania

Currently in Lithuania as well as in whole Europe expansion of socially responsible business (SRB) ideas is getting stronger. In our country business orientation to activity which results are pointed not only to profit gain but also to interested actors' needs and the dimensions as human rights, environmental consideration, social solidarity and cohesion .is getting more and more important. SRB ideas and practice reach our country in various ways. [5]. It is influenced by globalization, the EU politics towards SRB and particular local problems which cannot be solved by common methods or valid laws.

Some important differences can be noticed on comparison Lithuanian experience in SRB sphere with foreign countries experience. The main factor that encourage businessmen' responsible attitude is the pressure of clients or society [6,7]. In Lithuanian enterprises such initiatives (projects) are prompted by foreign partners or mother enterprises. These projects work inside enterprises and concern their partners they collaborate with. Lithuanian enterprises pursuing similar initiatives often follow internal moral or ethical needs. This fact illustrates that in Lithuania the main incentive mechanism of SRB concept i.e. attention to requirements of responsible consumers does not work yet [8]. Despite all the differences and restrictions socially responsible business ideas spread continually in Lithuania. Since 2004 the representatives of Social Se-

curity and Work Ministry participate constantly in Europe Committee's Corporate Social Responsibility expansion group [9]. Recently The National Network of socially responsible business enterprises was established; it operates as a part of the United Nations Global Compact Network (www.unglobalcompact.org). The Global Compact includes the principles in the areas of human rights, labour standards, anti-corruption and the environment. Thus besides common objectives to strive for financial results enterprises which accept Global Compact voluntarily declared that they will take care of environmental development and protection. 40 our country's enterprises and organizations joined the Global Compact.

National Network of socially responsible business enterprises (the National Network) has emerged from the Group of Initiative on responsible business, established at the conference "Responsible Business in Society" in Lithuania in autumn 2004. The founding members of the National Network in Lithuania are the United Nations Development Programme (UNDP) in Lithuania, the Association "Investors' Forum, Association "NETA", enterprises "Constructus", "Berlin-Chemie Menarini Baltic", "Commercial Union Lietuva Gyvybes Draudimas", "Danisco Sugar", "Ernst & Young", "Lideika, Petrauskas, Valiunas ir partneriai LAWIN", "Libra Holding", "Lietuva Statoil", and "Mazeikiu Nafta".

National Network of Responsible Business in Lithuania currently comprises 40 companies, members of the UN Global Compact Initiative. The Network of Social Responsible Business was officially launched in April 2005 by a Group of Initiative, which was formed during the first international conference on the United Nations Global Compact and the Corporate Social Responsibility (CSR) concept in November 2004. At its launching date the Network comprised some 11 companies and business associations, as well as the United Nations Development Programme in Lithuania (further – UNDP). The purpose of the National Network is to exchange knowledge, experience and innovations, organize joint learning forums, thereby improving business strategies and implementing joint projects for the benefit of society. The Network operates as an entirely voluntary initiative.

The main barriers for the development of CSR in Lithuania are: economic, environmental and social.

The economic barriers include: low innovation in enterprises; slow modernisation of production facilities and updating of technological processes; insufficient growth and uneven distribution of investments by regions of the country [10].

The social barriers are: weak co-operation with stakeholders; insufficient care in competence and motivation of personnel; low awareness of society about companies activities and indebtedness of heat consumer. Information needs on CSR in Lithuania are the crucial issue in CSR. More practical applications of CSR in DH companies (examples of good practices on how this can best be done).

4. The programme areas of enterprise’s social business responsibility

New tendencies of economy development, the use of information technologies and the world over economic globalization give new challenges not only for various countries business society, for governments but also for the whole mankind. Enterprise admits that it influences business environment directly and indirectly by prosecuting activity therefore socially responsible enterprise’s activity is an essential condition for successful business. Continually an enterprise aims to improve the programme of social responsibility and encourage business partners to strive for responsible activity. Pursuing socially responsible business policy an enterprise pursues responsible attitude towards business partners, towards community and environment [11]. Enterprise’s social business responsibility programme includes the following areas:

Business Ethics Standards. An enterprise is obligated to ensure that strict ethics, law and professionalism standards would be followed in all business areas.

Clients. An enterprise strives to supply clients with fair and qualitative services

Human Rights. An enterprise respects the International Human Rights Declaration and follows its principles in the activity.

Employees. An enterprise strives to be an employer that is preferred by employees.

Health and security. An enterprise is obligated to ensure safe and proper work environment.

Suppliers. An enterprise collaborates with suppliers like with partners who help to implement socially responsible business policy by supplying services and goods.

Community. An enterprise aims to collaborate with community where the enterprise pursues its activity.

Environmental protection. An enterprise strives to administer rationally and improve the consumption of resources.

It will be observed that in Lithuania the theme of business ethics and socially responsible business has just started to be discussed widely, concentrating at-

ention to the question “is it necessary, what is the benefit of it?”, while in OECD countries the main attention is paid to the answer of a question “how?”.

According to ethics (moral) codes that are accepted by enterprises and organizations, enterprises are obligated to pursue SRB. There are expressed separate liabilities to various socially responsible business criterions, responsibility is formulated in detail for all interested and also, in ethics code it is expounded how to achieve it. The following means are indicated: integrity/honesty, clearness, dependability, compliance in laws, which realization in enterprises activity ensure socially responsible business, simply transform business enterprises towards harmonious development. In some cases ethical (moral) codes are implanted naming the following programmes as Compliance programmes or “Building moral competence in Organizations”, Building integrity of Organizations” or special Compliance and Integrity services are created (for example, Integrity service [12]. In Lithuania several business ethics conferences has been coordinated by Ernst&Yang Integrity service employees) etc.

5. Case study of corporate social responsibility in Lithuanian small enterprises

The research of enterprises social responsibility was performed in Lithuanian very small business enterprises in 2007. Such type selection was determined by the number of such enterprises in Lithuania – it is the biggest (see Table 1) and, in addition, practice shows that for small enterprises it is more difficult to implement social responsibility. Also, the opinion dominates that only big enterprises are able to implement social responsibility and have more opportunities and abilities. Their big role is determined by financial indicators too.

The objective of the research is to reveal opportunities to implement corporate social responsibility in very small enterprises. At research time 67 very small enterprises which run their business in Kaunas region were surveyed.

Table 1. The distribution of active enterprises according to their juridical forms and size (01 01 2007, %)

	The group of employees number			
	till 9	from 9 to 49	from 50 to 249	250 and more
Individual enterprises	91.19	8.22	0.55	0.03
Stock companies	15.20	17.89	37.01	29.90
Joint stock companies	65.87	27.25	6.24	0.64
Agricultural companies	46.41	33.97	18.90	0.72
Cooperative companies	54.51	32.13	12.27	1.08
Partnerships	77.00	18.67	4.00	0.33
Other	20.93	22.67	44.77	11.63
In total	75.00	19.89	4.48	0.64

Source: data is computed according to Statistics Department of Lithuania data.

In society the opinion exists that small enterprises do not operate clearly, do not pay taxes in full and use old technologies. However, the research revealed that even very small enterprises are interested in business strategy; they strive to formulate their mission, vision and take means to improve their business processes. Partially such decision (54 %) is influenced by the importance for them to have enterprise web page where they could spread information about themselves and their production. Although only 68 % of surveyed enterprises had their web pages or have placed information on the Internet. At research time it was stated that not all enterprises are acquainted with the concept of corporate social responsibility (47 %), additional explanation was necessary. After conversation it used to clarify that enterprises implement some activity of corporate social responsibility but they do not use such concept. At research time it was stated that big part of respondents (73 %) thought following laws, regulations and provisions is an inseparable part of CSR. Also, respondents often CSR identified with holidays in enterprise, charity or some social projects (59 %). It shows that there is not enough information about enterprises which could help better understand and reveal the benefit of CSR best practice. Especially respondents missed state attitude and actions towards CSR area (class, juridical and financial means). Also, employee's satisfaction with their workplace and operating conditions is very important for enterprises too. Therefore, 34 % of respondents indicate that they interview employees. Hiding information of enterprises is a big barrier for CSR spread. Enterprises still avoid publicity although increasingly do not tolerate when some of enterprises do not follow laws and pay in envelopes. They do want to create reliable and attractive image.

The research of CSR showed that enterprises are little acquainted with CSR development in Lithuania. As common, social activity of enterprises is appreciable in the region where the enterprise is. Therefore it fully matches understanding of society that business has to take care of people in region where enterprise is.

At research time it was stated that choosing product consumers still not fully take into consideration enterprise standing in CSR area. Most of them are uninterested in ecological label and enterprises themselves (41 %) have to educate consumers about ecological label and awards related to CSR. Bigger attention to matters mentioned above is paid by foreigners who purchase one or other product.

At research time we managed to gather a lot of examples and initiatives of good practice. However often enterprises do not call these examples CSR. During such situation if enterprises exchange information and experience it would help to implement CSR in Lithuania.

6. Conclusions

Social responsibility is a deciding factor of business enterprises reputation. Reputation, in turn, is more and more important factor of common success. Reputation determines how the society considers the enterprise which is in market, do the consumers want to choose this enterprise as energy supplier, can this enterprise employ the best employees, do the partners are interested in it, what is the investors' attitude towards this enterprise? Social responsibility is becoming a competitive factor beside price, quality and environmental questions.

1. Not going into scientific definitions of business social responsibility it might state that business social responsibility is a response to the threats of economical globalization; it is economical humanization – formation strategy of business with human face.
2. Considering one of widely common socially responsible business concept it is stated that responsible business may be that one which not only performs all provided requirements to business, follows Laws in country but also does more than it is provided in the Laws, it might state that in majority of Lithuanian enterprises (though there are some examples of positive activities) it is difficult to speak about the beginning of this phenomenon development. It seems that in Lithuania for the meantime social enterprises' activities are mostly realized as charity or philanthropy. Quite a few companies devote their finances to social projects (for example, Hronas, Kraft, Coca – cola, VP – Market), however it is one of the marketing ways nevertheless, and it is not the beginning of equivalent partnership or systematic collaboration with social partners and profit receivers.

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