Development of Corporate Social Responsibility In Lithuania: Present Situation And Future Perspectives

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Abstract
Lithuania, as a participant to the global economy and a member of the EU, empowers the entrepreneurs to change their attitude towards consumers, business partners, towards community and environment. Responsible companies have to solve many important problems – to protect natural resources at the same time producing goods, to keep healthy environment. The concept of Corporate Social Responsibility is not very widely known in Lithuania. The understanding of the concept is frequently linked to philanthropy, rather than partnership. This article is devoted to reveal the formation and development of corporate social responsibility in Lithuania. The main aim of the article is to assess the level of CSR in Lithuania. The analysis of the corporate social responsibility practices in Lithuanian was made according to the local observations, material from local companies in the region, research, carried through the World Bank. It was estimated, that the main difficulties of the socially responsible business are incomplete understanding of the concept, lack of motivation, weak consideration from the part of the government. Yet, since 2006 there has been a growing interest from both government and NGOs in promoting CSR values by organizing competitions and awards ceremonies such as the Annual Socially Responsible Business Awards Ceremony of the Social and Labour Ministry, Awards of the Confederation of Industrialists.

Key words: corporate social responsibility, business enterprises, awards.

INTRODUCTION

Corporate social responsibility (CSR) is a new phenomenon that is little known but very important in the background of Lithuanian business. Since 2006, the CSR as the ideology, policy and practice of companies has been gradually developed in Lithuania, after the announcement of the obligatory Order of the Minister of Social Security and Labour of the Republic of Lithuania, 22 December 2005 on certification of measures promoting company social responsibility. Even though it might seem that striving for profit is a natural goal and base of activities of each company, but over the last decades with the growth of processes of public spirit and increasing social influence to politicians and government institutions as well as private business, the question of company activities responsibility is stressed more and more often. As a matter of fact, no business can dissociate from social responsibility as dissociation would mean lost of prestige and popularity. CSR is becoming a subject of scientific research even though the main sources of information are mostly found on the internet websites.

This article aims to reveal the formation and development of corporate social responsibility in Lithuania and to assess the level of implementation of the CSR concept. This research has been performed using methods of the analysis of scientific literature and normative documents, case-study analysis, statistical analysis.
1. THEORETICAL REASONING ON ISSUE OF CSR

The process of globalization, the progress of science and technologies, the overproduction of goods and services, the obvious competition, all these make business participants consider the final and most important result – profit. Friedman [9] maintains that the business has only one social duty: to use its resources for the activities which produces its profit. Modern liberal economists CSR ideology as contradicting to the main business – increase the profit and not to save the planet, therefore, these things should not be mixed ad.

The concept of ethic business created by different authorities of social sciences obviously contradicts the affirmation that profit is a direct objective of the producer or service supplier. However, even as far back as 1939, Handy C. [11] said that most people have a wrong idea that business exists only to earn money. We have to go deeper and seek for real reasons of its existence. While looking for an answer, we understood that joining of a group of people produces an institution that is called a company. Consequently, here people together can reach this what they will never be able to separately – i.e. to supply support and cooperation for the society. The role of business in the society is very important, being part of it; therefore, it has to take bigger responsibility. It means that the company activities are related to the interests of the society. Company activities influence the business environment, surroundings, work force, and local community in these times of globalization [22].

Carroll A. [6] noted that CSR involves the expectations that society has of business. As the expectations placed on companies evolve over time and across countries, social responsibility becomes a continuous process of the accommodation of corporate behaviors to societal expectations. Carroll A. [6] also argued that a definition of CSR should encompass the entire range of expectations placed on companies, including economic, legal, ethical and philanthropic responsibilities. Gudoniene [10] maintain that It is obvious that while implementing CSR there is no possibility to apply a principle/attitude that can suit everybody. CSR does not offer and provide the only decision that suits everybody. Supporters of CSR maintain that taking social responsibility is the main duty of the company, even though it will not bring bigger profit as other public values must be more important than the company wish to receive as big profit as possible. It could, but not must, embrace deeper ethic evaluation of the company’s role to the society [22].

Vaitiekuniene J. [20] noted, that socially responsible corporation should be responsible for every activity which influences people, their communities and environment. Kovaliov R. [15] states that CSR is inevitable a today’s necessity. According to [19], it is ensuring conditions of joint activities in the long-term prospect. Carroll A. [6] distinguishes the following main parts of CSR: philosophy, law, politics and geopolitics. To [17] opinion – CSR is based upon the theory that an organization can trust companies who keep to the principles of CRS. In Lithuania, issues of CSR were researched by [2], [4], [7], [13], [14], [15], [18] and many others.

All definitions of CSR are similar by their nature. All of them mention several groups of participants. On the one side, there stand business participants or business organizations; while on the other side, there are interested parties, consumers, employees, shareholders and other related people, the community and society. In all definitions, this relationship is created according to the principle of free-will taking bigger responsibility about social and environment issues.

Each country as well as Lithuania has developed a certain understanding of what CSR is. For example, in Great Britain a social responsibility of the company most often is related to keeping the employees rights in work places, providing equal and safe work conditions, promoting life-long learning as well as business participation in initiatives of the community. In other countries CSR are more related to environment protection or promotion of large social initiatives [10]. According to Kleinaite I. [14] CSR is described as company ideology, policy and practice, reflecting such company behaviour when companies at their free will include social and environment issues into their activities and keep to valuable principles of respect to man, society and nature in their relations with all interested representatives of the society, business and authorities. EU Commission Green Paper [8] defines CSR as a concept which helps entrepreneurs at their free will include social and environmental issues into the activities of their companies and relations with interested parties.

2. CSR SITUATION IN LITHUANIA
It is usually believed that social responsibility is a duty of large companies. However, according to [10], the community usually makes big influence on the success of a small company by approving or disapproving of its activities. Management of intern information and good relationships with employees are especially important for small companies. According to Macys G. [16], the implementation of social responsibility in small companies differs from that in large companies, but some of the features become even more pressing for and medium sized companies. Small and medium-sized companies are much less mobile than large companies, they cannot quickly move their business elsewhere, therefore it is very important for them to act responsibly in their own environment and community and make investments in consideration of local peculiarities. It is important to assess local risks, consider and respond to the surrounding mood.

According to Baseline study on Corporate Social Responsibility [3], significant share of respondents expressed views that only large and financially stable companies are capable of implementing CSR practices. According to them, SMEs have poorer possibilities and capacities, but financial performance is considered to be the main factor. This attitude reflects many relevant points; however, it underestimates the importance of embedded values and does not consider the possibility of business growth stemming from the good CSR practices. Once again this understanding is based on the view that CSR and profits do not go hand in hand.

Researches [20] showed that almost 44% of the managers of SMEs did not know the term of social responsibility. Different programs of social responsibility were implemented by nearly 38% SMEs, while approximately 55% maintained having done it form more than three years. Answering the question about the programs of social responsibility, the majority – 86% of respondents said that they were tasking care of their employees, about 71% indicated that they were taking care of their customers, almost 59% participated in the activities of local community and public life, while, 53% directed their programs towards partners and suppliers and 52% took care of environment.

However, despite the fact that almost half of managers were not aware of the term of CSR, let alone their employees, significant works were performed in an unbelievingly short period of time in introducing CSR under the national background.

On 8 November 2007 the Ministry of Economy gave awards for Lithuanian business executives in Litexpo Exhibition Hall. This was the first attempt to attract attention to the issue and promote the social responsibility of companies. Nominations and titles of a socially responsible company were given to UAB Švyturys-Utenos alus and UAB RIMI Lietuva. The highest award of a responsible company was granted to Alytus UAB Traidenis. UAB Traidenis has been working in the field of environment protection since 1996. The company uses the newest water purification technologies in their production, installation and servicing sewage purification equipment in private homes, groups of houses, residential neighbourhoods and settlements, purification equipment for landfills, equipment for primary or total water purification for industrial companies, different products from glass plastic; renovates and re-arranges purification equipment. National Responsible Business Awards (NRBA) honors the companies which contribute to the development and strengthening of social wellness, putting the most efforts to minimize the effect of their operation onto the environment in Lithuania and are mostly committed to operate transparently and fair with the employees, community and society. The Awards organized by United Nations Development Programme (UNDP) and the Ministry of Social Security and Labour, in partnership with the Ministries of Economy and Environment. NRBA is annual initiative, supported by the state institutions, aiming to raise awareness on CSR; its added value for businesses, country and each individual and to accelerate enterprises to embed principles of the responsible business into their operations. NRBA recognize business enterprises within 3 nominations – Employer of the Year, Partner of the Year, and Environmental Enterprise of the Year. 6 companies were awarded in 2007, 12 in 2008 and 12 companies in 2009 [26].

An agreement of cooperation on implementation of a project of promotion of measures of CSR was signed by the Ministry of Social Security and Labour of LR and UNDP office in Lithuania. According to Zaharia R. M. [23] discussions on CSR have been going on in Lithuania for some time but signing of this agreement reflects real efforts of the government institutions to contribute to the creation of favourable atmosphere for social responsibility in Lithuania.

Leaders of Lithuanian private business established the National Network of Responsible Companies. This network acts as a part of the network of the United Nations Global Compact (UNGC) striving to improve business strategies of Lithuanian companies, promote development of responsible business
and by joint efforts of private business structures, the United Nations organizations, government and non-government sector will contribute to solutions of concrete national social and environment issues and the growth of economics. The national network, which joins businesses by exclusively free-will initiative, is a part of the Global Compact that unites about 3000 companies, international labour and civic society organizations of all over the world (including 2500 business enterprises). Lithuanian Network of Responsible Business was established in April 2005. The network includes companies of finance, telecommunications, consulting and other fields, as well as business organizations, trade unions and academic institutions. The purpose of the national network is to promote development of responsible business in Lithuania, share experience, organize joint trainings and implement socially beneficial projects. The National network is a non-formal forum which does not have a strictly defined management structure and membership fees. In December 2008 the National of Responsible Business joined 57 companies. According to the data of 31 December, it already included 61 companies and organizations as well as members of the UN Global Compact [1], [9], [25], [26], [27]. The incorporators of Lithuanian national network are 11 Lithuanian private business companies and business associations: association Investors’ Forum, association NETA, companies Constructus, Berlin-Chemie Menari Group, Commercial Union Lietuva Gyvybės Draudimas, Danisco Sugar, Ernst&Young, Lideika, Petrauskas, Valiuinas and partners LAWIN, Libros Holdingas, Lietuva Statoil and Mazeikių nafta [1], [8], [20].

3. PRACTICAL ASPECTS OF CSR

European Commission [24] performed a survey on business leaders Lithuania to identify the private sector’s attitude on corporate social responsibility and the ways in which this attitude was put into practice. Out of the 80 companies interviewed, 91% were privately owned companies, 3% were owned by the Lithuanian government, and the remaining 6% – a mix of private and public ownership. Lithuanian respondents listed the greatest internal benefits deriving from CSR practices (Fig. 1).

![Internal benefits from adopting CSR practices](image)

Fig.1. Internal benefits from adopting CSR practices [24]

They were as follows: business sustainability; competitive advantage; easier compliance with legislation; employee loyalty; attraction and retention of qualified employees; increase in productivity, quality and sales; financial improvement and access to capital; and reduction of costs. 9% of respondents believe that there are no internal benefits to be derived from the adoption of CSR practices. Fig. 2 demonstrates Lithuanian respondent companies answers about the greatest external benefits deriving from CSR practices.
They were: improved image and reputation; preservation of the environment; intangible benefits; contribution to Lithuania’s sustainable development; increased visibility; promotion of solidarity in the community; clients’ loyalty; and political impact. Virtually all respondents saw external benefits deriving from CSR practices.

4. CSR IMPLEMENTATION BARRIERS

The main barriers for the development of CSR in Lithuania are: economic, environmental and social which are revealed in the Table 1 [4], [21], [23].

<table>
<thead>
<tr>
<th>Economic</th>
<th>Environmental</th>
<th>Social</th>
</tr>
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<tbody>
<tr>
<td>• imperfect innovation in enterprises</td>
<td>• lack or different perception of values</td>
<td>• weak co-operation with stakeholders</td>
</tr>
<tr>
<td>• slow modernisation of production facilities and updating of technological processes</td>
<td>• limited perception of what is environment</td>
<td>• insufficient care in competence and motivation of personnel</td>
</tr>
<tr>
<td>• insufficient growth investments by regions of the country</td>
<td>• slow decision of environment protection problems</td>
<td>• low awareness of society about companies activities</td>
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<tr>
<td>• lack of financial resources</td>
<td>• wrong imagination that sustainable, clean environment is responsibility only for big companies</td>
<td>• consumers’ lack of awareness about CSR initiatives</td>
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<tr>
<td>• lack of government support and appropriate regulation</td>
<td>• fragmented initiatives dealing with environmental problems separately</td>
<td>• lack of information on CSR</td>
</tr>
<tr>
<td>• poor relations with local government</td>
<td>• irresponsible business practices</td>
<td>• still no common clear conception about CSR</td>
</tr>
<tr>
<td>• economical crisis</td>
<td>• lack of environmental strategy and policy</td>
<td>• low activism and weak pressure from society</td>
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Simanskiene L. [19] performed a survey, where 48 Lithuanian companies claiming themselves as socially responsible, supplied their information on the mistakes that might occur in their efforts to become socially responsible companies. Most respondents (58,30%) indicated superficial attitude towards CSR; CSR "throwing from above", without participation of all the employees of the company – (56,30%); absence of a strategic plan (56,30%); other mistakes – absence of a long-term vision (45,80%); not understanding the necessity for changes and their scale (18,80%); application of out-of-date management methods (37,5%); inability to evaluate CSR as a novelty (37,5%).
5. CSR IMPLEMENTATION PERSPECTIVES

Notwithstanding interferences and difficulties, in Lithuanian business world, understanding of CSR conception is growing, possibilities of application are increasing, whereas moral values are changing and getting stronger. Each company of Lithuania perceiving its social responsibility and taking free-will responsibilities to improve business practice, implement modern human resources management technologies, which spare natural resources, use materials and technological processes that are harmless to humans; in their strategic business plans, they estimate possible negative impact to the natural and social environment, harmonize labour relations and take active part in a social dialogue; in planning their activities take into consideration the positions expressed by the interested participants and expectations of the society to ensure transparent management, develop ethic relationships with partners and guarantee common positive business atmosphere in the country. Firstly government with the biggest power in legislation, secondly society and business enterprises are the main actors influencing the development and implementation of CSR in Lithuania. The best results are achieved when all the parties act in close partnership (Fig.3).

![Fig. 3. Areas of CRS improvement [designed by authors]](image)

CSR unleashes a huge potential for innovation at all levels. It provides a systematic framework to manage an organization taking into account financial, environmental, social, governance and ethical issues. It helps to reduce energy, waste and cut costs, differentiate every business, sidestep future regulations, create innovative new products and processes, open new markets, attract and retain the best employees, improve image with the shareholders and the public, reduce legal risk and insurance costs and provide a higher quality of life [12].
National program for 2009–2013 is one of many signposts helping to seek CSR in the country. The purpose of the National program for 2009–2013 is to create a friendly environment for the development of CSR in Lithuania and to encourage companies to implement these principles in their activities [27]. The Government of the Republic of Lithuania with the National CSR program admits that socially responsible business meets the welfare expectations of society and is beneficial for the social and economic development, and it is expected that by 2013 the three main goals set in the programme will be achieved. Goals, tasks and targeted activities of National CSR development program for 2009-2013, are listed below:

1 – to create a prosperous juridical and institutional environment for the development of corporate social responsibility
2 – encourage better understanding on CSR as well as social and environment perception
3 – increase competence in CSR field of companies and other interested parties [27].

One of the ways to increase corporation social responsibly is application of the SA 8000 certificate in companies. This certificate is a detailed and checkable audition and certification standard of correspondence to the requirements of group responsibility applied in small and large enterprises. SA 8000 system is made according to the adopted standards of quality and environment management systems ISO 9001 and ISO 14001. The standard is created and tested by a non-profit Council of Economic Priorities with assistance of the International Consultation Council.

CONCLUSIONS

1. The CSR definition may have a lot of meanings. Researches and scientists of different times and different countries describe the concept in a different way. However, the common thing is that CSR is saving environmental, human and organizational resources, taking care of the company profit, as well as the well-being of the society.

2. Even though Lithuania does not have long-term experience in CSR management, it has done much in this field. Participation in Lithuanian National responsible business network, national awards for responsible companies, project funded by the European Union and Lithuanian government, growing conscience of the society, changing consumer culture – these are the results achieved by Lithuania in five years. The results show that social responsibility is outcome of cooperation between the state, society and business enterprises. The researches show that companies find it beneficial to be socially responsible as it improves their reputation and image, increase customers and employees’ trust.

3. Lithuania still has to do much so that CSR can naturally become useful both for the state, society and business companies. Several of the most important factors that promote understanding the benefit of CSR – it is information and education of the society, and fostering valuables. It is important to highlight not only practical but also emotional benefit of CSR.

References


