

CORPORATE SOCIAL RESPONSIBILITY TRENDS IN LITHUANIA

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Abstract

The aim of the paper is to analyse Corporate Social Responsibility (CSR) development trends in Lithuania, examine publicly disclosed information on corporate social responsibility different sectors enterprises, the regulation of corporate social responsibility in Lithuania, to summarize the research on CSR in Lithuania. With the development of economy and society, people are paying more and more attention to CSR, and the contents of CSR are constantly expanding and extending as well. Practice shows, that integrating CSR in the core of business and making it a part of everyone's daily job is the best way to progress. In Lithuania socially responsible are mostly international companies and especially banks, they prepare and publish reports. Most of the Banks in Lithuania observes the Global Compact's ten principles. In the bank reports, we find human resource management system, which deal with all the issues related to employees that includes employment, compensation, performances, and development of organization, health issues, motivation, administration and training. Reports confirm importance of human capital for successful sustainable development. Banks is strongly committed to social issues and especially invested in educational, entrepreneurial and innovation initiatives.

Key Word: Corporate social responsibility, Human Resources, Human capital

JEL Code: A13, J24, M14

Introduction

This article analyse Corporate Social Responsibility (CSR) implementation and development trends in Lithuania. Social responsibility is not a new idea. Social responsibility has never been more prominent on the corporate agenda than it is today. Our societies are facing extraordinary challenges: increasing inequality, rising poverty rates, unstable economies, climate change and a raft of other issues. The speed of change is faster than ever. With the development of economy and society, people are paying more and more attention to CSR, and the contents of CSR are constantly expanding and extending as well. Business and organizations do not operate in a vacuum. Their relationship to the society and environment in which they operate

is a critical factor in their ability to continue to operate effectively. Corporate social responsibility (CSR) is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders.

The European Commission believes that CSR is important for the sustainability, competitiveness, and innovation of EU enterprises and the EU economy. It brings benefits for risk management, cost savings, access to capital, customer relationships, and human resource management. Corporate social responsibility refers to companies voluntarily going beyond what the law requires to achieve social and environmental objectives during the course of their daily business activities. It covers a range of areas: Europe 2020 (especially new skills and jobs, youth, local development); Business and human rights; CSR reporting; socially responsible public procurement. A particular priority is to align the European and global CSR approaches to improve European interests and opportunities abroad. These calls on EU enterprises to strive to comply with and act in accordance with internationally recognised CSR guidelines and principles, such as the:

- OECD Guidelines for Multinational Enterprises;
- 10 principles of the UN Global Compact;
- UN Guiding Principles on Business and Human Rights;
- ILO Tri-partite Declaration of Principles on Multinational Enterprises and Social Policy; and
- ISO 26000 Guidance Standard on Social Responsibility.

The Commission monitors the commitments of European enterprises to such international CSR guidelines and principles. The United Nations Global Compact (GC) is initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The UN GC is a principle-based framework for businesses, stating ten principles in the areas of human rights, labour, the environment and anti-corruption. The UN GC is the world's largest CSR initiative with 13000 corporate participants and other stakeholders over 170 countries.

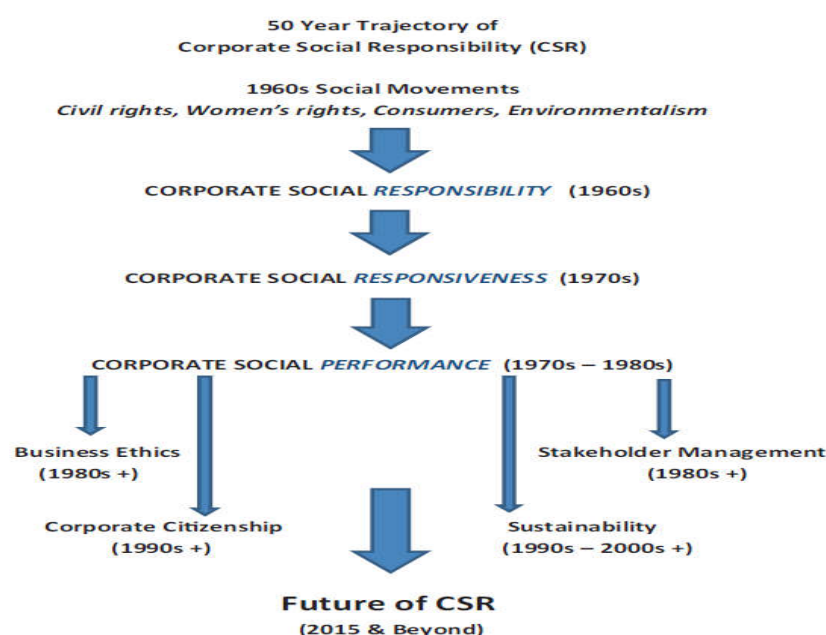
1. Theoretical background

In the early writings on CSR, it referred to more often as social responsibility (SR) than as CSR. The publication by Howard R. Bowen (1953) of his landmark book *Social Responsibilities of the Businessman* argued to mark the beginnings of the modern period of literature on this subject. CSR also known by a number of other names. These include corporate responsibility, corporate accountability, corporate ethics, corporate citizenship or stewardship, responsible entrepreneurship, and “triple bottom line”. As CSR issues become increasingly

integrated into modern business practices, there is a trend towards referring to it as “responsible competitiveness” or “corporate sustainability” (Hohnen, 2007). One of the most prominent examples of a CSR model is undoubtedly Archie B. Carroll’s pyramid of CSR that consists of economic, legal, ethical and philanthropic responsibilities (1991). Foreign authors describe CSR as good corporate governance, ethical and sustainable management, with the aim of properly managing its impact on the social sphere, the environment and the economy and, at the same time, to be as useful as possible for the wider community (Carroll, 1979, 1991, 1999, 2015; Clegg, Bailey 2008; Jha, Singh, 2016; Visser, 2011). Formal writing on social responsibility, however, is largely a product of the 20th century, especially the past 50 years. The evolution of the CSR constructs beginning in the 1950s, which marks the modern era of CSR. Definitions expanded during the 1960s and proliferated during the 1970s. In the 1980s, there were fewer new definitions, empirical research and alternative themes began to mature. These alternative themes included corporate social performance (CSP), stakeholder theory, and business ethics theory. In the 1990s, CSR continues to serve as a core construct but yields to or transformed into alternative thematic frameworks (Carroll, 2015).

The concept of corporate social responsiveness became popular in the mid-seventies and the concept of corporate social performance followed soon thereafter. Corporate social responsiveness represents an action-oriented variant of CSR. Other frameworks have also caught on and have become popular. These other major frameworks include business ethics (BE), stakeholder management (SM), corporate citizenship (CC), and sustainability (SUS).

Figure 1: 50-year trajectory of corporate social responsibility



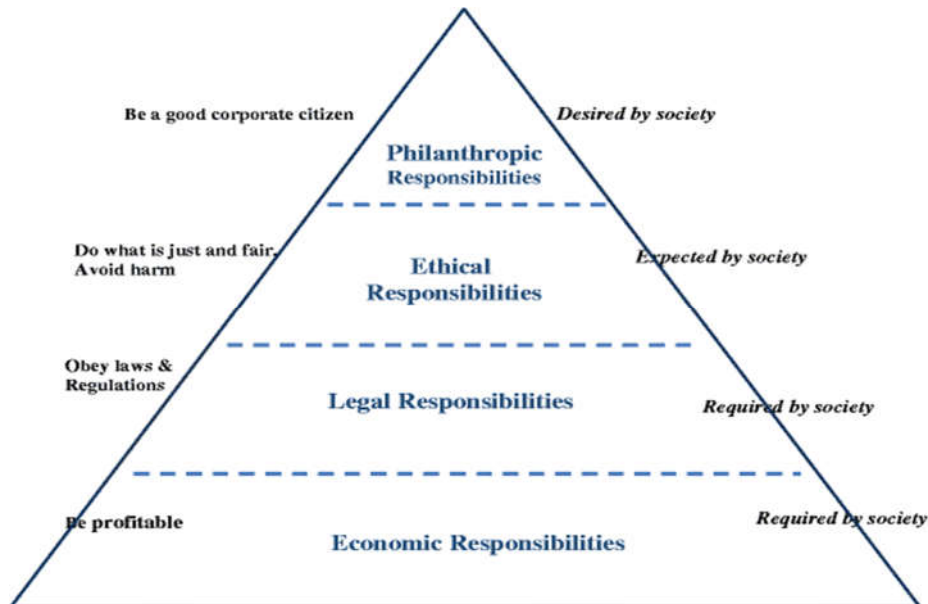
Source: Carroll, 2015

Fig. 1 graphically depicts the evolution and proliferation of CSR and competing and complimentary concepts over the past half-century or more.

Regardless of how it framed, the future of CSR is always relevant to consider. The Probable Scenario, though not particularly exciting to CSR proponents, will likely rule the day over the near future. There is significant evidence that CSR has been consistent and stable in its popularity and at least three driving forces have kept it alive and well—business acceptance, global growth, and academic proliferation. First is business acceptance, which is the most important factor. And, it has been clear that the public everywhere has expectations on business that extend beyond providing goods and services, providing jobs and benefits, and making profits—although these certainly rank highest (Carroll, 2015).

The four-part definition of CSR originally published in 1979. In 1991, Carroll extracted the four-part definition and recast it in the form of a CSR pyramid. The purpose of the pyramid was to single out the definitional aspect of CSR and to illustrate the building block nature of the four-part framework. The pyramid selected as a geometric design because it is simple, intuitive, and built to withstand the test of time.

Fig. 2: Carroll's pyramid of CSR



Source: Carroll, 1991

Consequently, the economic responsibility placed as the base of the pyramid because it is a foundational requirement in business. Just as the footings of a building must be strong to support the entire edifice, sustained profitability must be strong to support society's other expectations of enterprises. The point here is that the infrastructure of CSR is built upon the premise of an economically sound and sustainable business. Figure 2 presents a graphical

depiction of Carroll's Pyramid of CSR. Though the ethical responsibility depicted in the pyramid as a separate category of CSR, it should also see as a factor, which cuts through and saturates the entire pyramid. Ethical considerations are present in each of the other responsibility categories as well. In the Economic Responsibility category, for example, the pyramid implicitly assumes a capitalistic society wherein the quest for profits is viewed as a legitimate, just expectation. Capitalism, in other words, is an economic system, which thinks of it as being ethically appropriate that owners or shareholders merit a return on their investments. Most laws grew out of ethical issues, e.g., a concern for consumer safety, employee safety, the natural environment, etc., and thus once formalized they represented "codified ethics" for that society. Ethical Responsibility stands on its own in the four-part model as a category that embraces policies and practices that many see as residing at a higher level of expectation than the minimums required by law. In 2007, Crane and Matten observed that all the levels of CSR depicted in Carroll's pyramid play a role in Europe but they have a dissimilar significance and interlinked in a somewhat different manner (Crane and Matten 2007). Likewise, Visser revisited Carroll's pyramid in developing countries/continents, in particular, Africa, and argued that the order of the CSR layers there differ from the classic pyramid. He goes on to say that in developing countries, economic responsibility continues to get the most emphasis, but philanthropy is given second highest priority followed by legal and then ethical responsibilities (Visser 2011). There are many business case arguments in the literature, but four effective arguments made by Kurucz, et al., and these include cost and risk reductions, positive effects on competitive advantage, company legitimacy and reputation, and the role of CSR in creating win-win situations for the company and society (Kurucz et al. 2008). Other studies have enumerated the reasons for business to embrace CSR to include innovation, brand differentiation, employee engagement, and customer engagement.

2 Corporate Social Responsibility trends in Lithuania

Lithuanian scientists (Dagilienė, Leitonienė, Grencikova, 2014; Pauzuoliene, Mauriciene, 2013; Zickiene, S., Juozaitiene, L. 2013.) argues that corporate social responsibility is based on the adaptation of the principles of sustainable development in its activities. The company's worldview, policies and practices that reflect behaviour of companies when they voluntarily incorporate environmental and social aspects into their areas of activity, as well as in their relations with all relevant public, business and government representatives, respect values for people, society and the environment. The sustainable development of course, has its activities through the implementation of principles of social responsibility. This is to ensure transparency

in the organizations and ethical treatment of stakeholders, international laws and norms of conduct and respect for human rights. Social Responsibility (SR) should be viewed as a way of conducting business, which enables the creation and distribution of wealth for the betterment of its stakeholders through the implementation and integration of ethical systems and sustainable management practices (Pauzuoliene, Mauriciene, 2013). Organizational sustainability or corporate social responsibility is obviously concerned with reporting for stakeholders on actions towards sustainability issues. Sustainability reporting is the practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development. Analysis of standards, codes, guidelines and other documents showed that there are dozens of terms and concepts that used in the context of sustainability reporting (Zickiene, Juozaitiene, 2013). The problem is that irrespective of the nature of a report (it is most important provide non-financial information/indicators), its size, quality, completeness, structure, companies present themselves as socially responsible because they prepare sustainability reports. This diminishes the value and importance of disclosure of corporate social responsibility and in a certain sense - the very idea of sustainable development.

In 2010, the Lithuanian National Programme for the Development of Corporate Social Responsibility (2009-2013) approved. In 2010, the investigation “Social responsibility self-assessment guide for business” carried out. These studies the focus is on socially responsible business idea, while lacking emphasizing social reporting importance as consequences of CSR. Lithuania has a relatively recent development of socially responsible business and social reporting, e.g. it became a member of the Global Compact only since 2005. Traditional financial and management accounting systems provide only a small part of required information. It is developed in a separate accounting areas - social accounting. Social accounting, unlike financial accounting, reveals company's contribution to society (Dagilienė, et al, 2014). The main source of information for CSR is social reporting. Social responsibility report is a document of the company, which provides information about companies planned and ongoing social and environmental performance, taking into account the results already achieved and thus company informing stakeholders about responsible business practices. Although corporate social responsibility reports vary, but in general they are prepared in accordance with the principles of the Global Compact, which includes human rights, improvement of relations with employees, the environment and fighting corruption. In Lithuania, like other EU countries, investigations are still concentrated on the promotion of

CSR ideas. Most of these economic investigations designed for research and development tendencies of CSR initiatives in Lithuania.

Lithuania, which became the EU member, formulated the goal – to create a competitive and dynamic knowledge-based economy based on sustainable economic development, harmonious relations between business, government and civil society representatives on the implementation of CSR. The Global Reporting Initiative (GRI) is one of the most popular non-governmental initiatives in the social and sustainable performance reporting and standardization and this methodology refers to reporting economic, social and environmental information based on corporate performance.

There were investigated social responsibility reports of companies belonging to the Lithuanian National Responsible Business Network of the period 2010–2016.

The biggest voluntary initiative of CSR worldwide is Global Compact. Since 2005, there is the National Responsible Business Network operating as a part of the Global Compact initiative in Lithuania. Companies that joined the Global Compact, declare that they apply 10 principles of social responsibility, disclosing in annual social reports for stakeholders. Dissemination and promotion of CSR initiative in the network is expanding every year. According to the annual activity reports of the National Responsible Business Network this network comprises 57 companies and organizations in Lithuania in 2008, 61 – in 2009, 65 – in 2011, 67 – in 2012, 69 – in 2013, 71 – in 2014.

Majority of Lithuanian companies follow these standards: ISO 14000, ISO 26000 and OHSAS 18001

- Half of Lithuania companies are using the UN Global Compact Recommended Reports
- 31% - do not use any activity guidelines, standards

Some of UN Global Compact members in Lithuania: „Kraft Foods“, „Danone“, „Nordic Sugar Kėdainiai“, Swedbank, Teo, LESTO, PakMarkas, Šiaulių Bankas.

From 2017, Lithuania large public interest entities employing at least half a thousand people will have to prepare and publish an annual social responsibility report. Specific government regulations on sustainability reporting may be a way for standardization.

3. Examples of good practice

GRI report examples of good practice: Teo 2014, LESTO 2013, PakMarkas 2014, Swedbank 2016, Šiaulių Bankas AB 2016.

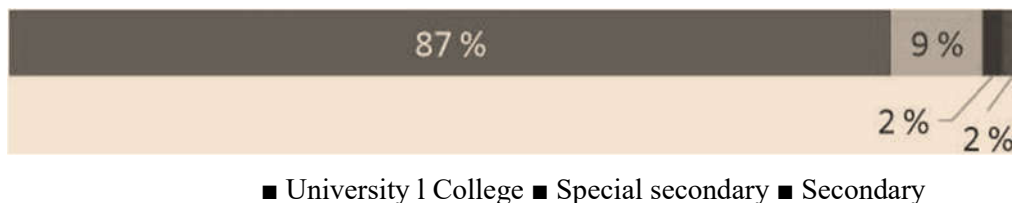
Swedbank signed the UN Global Compact in 2002. The foreign banks CSR was published by parent banks. SEB: Banking is all about people. We therefore strive to be a sound workplace that attracts and retains the right people. We provide scope for individual development by making our people feel valued, included and engaged.

Šiaulių Bankas AB has been participating in the International United Nations Global Compact initiative since 2008. As example of good report, we take Šiaulių Bankas AB Corporate Social Responsibility Report 2016.

In 2016, the Bank allocated over 60 thousand Euros of sponsorship, the major portion whereof was provided to communal, cultural, and sports projects. In order to reduce social exclusion, the Bank presented the following three Lithuanian public aid charitable organizations: the Caritas, public organization Save the Children, and the Lithuanian Samaritan Community, with 100 modern TV sets in 2016. The Bank implements the requirements of the Foreign Account Tax Compliance Act (FATC) and the Common Reporting Standard (CRS).

In 2016, an employee of the Bank spent an average of 7.5 hours on current training.

Fig. 3: Bank Employees by Education

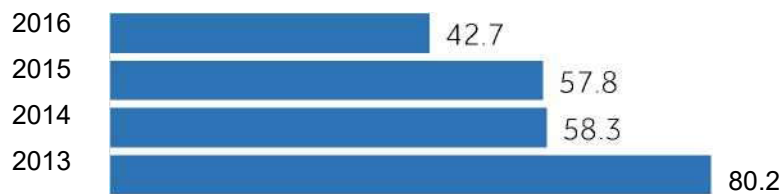


Source: Šiaulių Bankas, 2016

627 employees have acquired university education, postsecondary education 64, special secondary education 14, and secondary education 17 employees. Almost 30 percent of the personnel employed with the Bank for more than 10 years. The Bank aims to create safe and healthy workplaces by upgrading and restoring the facilities and updating equipment on a regular basis. For this purpose, the amount of EUR 14,785.06 allocated in 2016. The Programme for Multi-Apartment Housing Renovation (Modernization) is one of the most important measures under implementation in Lithuania to promote energy efficiency nationwide. The Bank has been actively contributing to it since 1999 by financing renovation projects.

A new document management system, which was intensively developed and increasingly employed throughout 2016, allows a significant reduction in the quantity of paper and means of printing whereas faster and more efficient processes account for a reduction in other resources as well.

Fig. 4: Paper Consumption in the Bank during 2013-2016 (t)



Source: Šiaulių Bankas, 2016

In order to offset a negative impact on the environment, the Bank arranged a joint forest planting action Investment in the Future of Lithuania, which involved the Bank Group and its clients in 2016. As a Lithuanian Capital bank, the Bank attaches great importance to communal traditions in the cities and towns and cultural life in the regions of Lithuania.

Conclusions

Corporate Social Responsibility has had a robust past and it has an upbeat future.

Sustainability reporting mostly treated as voluntary but studies showed that mandatory corporate sustainability reporting improves corporate governance. Companies implement more ethical practices, staff training, corruption decreases and managerial plausibility is developed. Lithuanian companies faced institutional and organizational problems that hamper the development of corporate social reporting in Lithuania.

From 2017, Lithuania large public interest entities employing at least half a thousand people is mandatory to prepare and publish an annual social responsibility report. Standardization may help investors, auditors and analysts to access information in sustainability reports faster and more simply, it will become easier to compare and contrast sustainability data.

CSR includes the organizations responsibility to carry out such a policy and take decisions, which correspond with public goals and values, to carry out such business functions, which satisfy the needs of society. This means that the organization should be responsible for each activity, which affects people or environment.

Good CSR practices are essential for sustainable business. It generates long-term value to all its shareholders and other stakeholders.

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