DEVELOPMENT OF SUSTAINABLE AND SOCIALLY RESPONSIBLE BUSINESS IN LITHUANIA IN THE INTERNATIONAL CONTEXT

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Abstract. This article analyses the peculiarities, interrelations and development of two relatively new concepts of organizational development – socially responsible and sustainable business. Socially responsible business, which adopts the sustainable development concept, more and more often requires than adequate behaviour of the supply chain partners. The complex of tools to achieve socially responsible and sustainable business – SA 8000 (Social Accountability), Global Compact, OHSAS 18001 (Occupational Health and Safety Assessment Series), ISO 14001, EMAS (Eco-Management and Audit Scheme), FSC (Forest Stewardship Council), eco-labelling, etc. – can be integrated into one organization. The paper provides an analysis of the development of these systems in Lithuania within the context of the European and global business. The interrelations of different management systems, the links among them, integration possibilities and improvement propositions are described.

Keywords: socially responsible business, sustainable development, SA 8000, ISO 14001, EMAS, OHSAS, Global Compact.

Introduction

Across all countries and industry sectors, companies are assessing their approach to non-financial business issues. At first, the issues were mainly environmental. Then the term “sustainable development” came to the fore. Now, corporate social responsibility (CSR) and corporate governance are setting the agenda. The cooperation between society and organizations is being guaranteed by various good practice ideas, voluntary certified standards or systems based on the concept of CSR. Environmental modernization of the economy includes the implementation of environmental policies which connect environmental management to technical environmental innovations and improved economic performance.

The scientific problem and novelty. There are insufficient scientific conclusions and recommendations for business concerning peculiarities, benefits and links between the two comparably new concepts of organizational development – socially responsible and sustainable business – and their relationships with other management systems.
The complex of tools to achieve socially responsible and sustainable business – SA 8000 (Social Accountability), Global Compact, OHSAS 18001 (Occupational Health and Safety Assessment Series), and environmental (ISO 14001, EMAS, eco-labelling) standards – can be integrated into one organization. The summation of related experience, methodology, relations among corporate social responsibilities, sustainable development and other management systems, facilitating and constraining factors makes the essence of the scientific novelty of this research. The author seeks to prove that the aim of the certification of socially responsible and sustainable business management systems is not only to gain a competitive advantage when showing the certificate, but also to be a tool to reveal the strengths and weaknesses of a company. The main purpose of this article is to disclose the peculiarities of the content and practice of socially responsible and sustainable businesses worldwide and in Lithuania, as well as to determine the evaluation of such business development and its main benefits. The paper provides an analysis of the development of these systems in Lithuania within the context of the European and global businesses. The interrelations of different management systems, the links among them, integration possibilities and improvement propositions are described Methodology. This research has been performed using the methods of the analysis of scientific literature and normative documents, case-study analysis, structured interviews, statistical analysis and author’s experience in management consultancy.

**Interface between CSR and sustainable development**

We assume that the first incentives of corporate social responsibility (CSR) were applied in ancient Sumerian culture: they began calculating the minimum salary for employees. But the conception of CSR in business and other activities was developed only on the turn of the 19th–20th centuries (Kotler, 2005; Ruževičius, Navickaitė, 2007; Vogel, 2005; Waddock, 2006; Xueming, 2006). The role of CSR in business management has been under debate. Scientists questioned whether a business can have any responsibilities other than the responsibility to increase its profits. However, other authors have disagreed (Enquist, 2007). Carroll (1991) argued for a pyramid of four kinds of social responsibilities – economic, legal, ethical, and philanthropic, thus integrating CSR with a stakeholder perspective (Carroll, 1991; Enquist, 2007). According to Carroll, there is a natural fit between the idea of CSR and an organization’s stakeholders. This view was supported by Kotler and Lee (2005). The changing nature of CSR has also been debated. Vogel (2005), Xueming (2006), Enquist et al. (2007) argued that the prevailing business imperatives in CSR were originally profitability, compliance and philanthropy. However, from the end of the 1970s and onwards, these authors assert that the prevailing business imperative became “corporate social responsiveness” (Kotler, 2005). Xueming & Bhattacharya (2006) have tried to solve contradictions between CSR and profit (Xueming, 2006). An important contribution made by this article is its results regarding the significance of relationship between
CSR, customer satisfaction and market value (Enquist, 2007; Xueming, 2006). The logical assumption is that the contemporary corporate social responsibility is a concept whereby organizations are considering the interests of society and operate responsibly in terms of the sustainability of the social, economic and environmental development. The organizations are pushed up to take into account the concept of CSR by the internal and external dimensions, such as customers, employees, shareholders, communities and the environment.

Today companies, both small businesses and big corporations, are constrained to work inside a complicated environment, being affected by the values, concerns and intentions of society. Businesses must be ready to make decisions under conditions of the frequently changing environment. For this reason, organizations must cooperate with neighbourhood 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 CSR (Ruževičius, Navickaitė, 2007).

Nowadays, environmental problems are taken into consideration by economically developed countries. At the end of the last century, a number of environmental laws, technical regulations and normative documents were created. At the same time, in scientific articles there appeared combinations of such concepts as “business”, “environment-oriented activity”, “sustainable development”, “continuous development” and “sustainable product management” (Remings, 2006; Ruževičius, Waginger, 2007; Scot, 2003). The concept of “sustainable development” was finally formulated in the United Nations Gro Brundtland commission report “Our common future” in 1987. A country’s economic and social development should be oriented according to the principle of sustainable development in the way that the current satisfaction of consumer needs would not reduce the possibilities of satisfying the needs of generations to come. The media event of 1992 was undoubtedly the United Nations Conference in Rio de Janeiro for environment and development, better known as the “Earth Summit”. This event changed outlooks in several ways of sustainable development and social responsibility. The key change was that it became received wisdom that sustainable development should also address not only environmental issues, but should seek equilibrium between the aspects of environment, social activity and the economy (Remings, 2006; Ruževičius and Waginger, 2007; Scot, 2003). Lithuania signed the declaration containing this point together with other countries in Rio de Janeiro in 1992. Every state must have an environmental policy which links all development strategies of economy branches and territories.

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 share their success with others and to benefit people, business and environment. Organizations are about to form an informal social-economic contract between an organization and its stakeholders. Today, such a situation may
be called “corporate life”. Organizations are being motivated to improve both social and environmental practices and cooperation with the stakeholders voluntarily by the attempts of various international initiatives. In order to guarantee 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 CSR networks, use various means to implement the concept of corporate social responsibility into the business practice, from those abstractly declared to standardized worldwide. Clearly visible are direct and tight links between CRS and sustainable development. On the other hand, organisations’ public reports have shown a marked change from the purely environmental to the current wave of sustainable development and corporate responsibility reporting.

CSR tends to focus less on the company itself and more on its activities – its community and social engagement, as well as the environmental aspects (Kotler, 2005; Scot, 2003). If CSR is to become a widely accepted and less threatening alternative to corporate sustainability, CSR becomes simply corporate responsibility.

**Benchmarking of the development of socially responsible and sustainable business-related tools: national and international context**

Modern organizations are implementing mandatory as well as voluntary management systems. A management system based on social responsibility and sustainable development requirements falls into the voluntary system category. Every organization chooses the way how to implement the corporate social responsibility and sustainable development concept into its daily practices. Part of Lithuanian organizations choose standardized social and environmental management system and tools – SA 8000 (Social Accountability), OHSAS (Occupational Health and Safety Management System) ISO 14001, eco-labelling of products and services other enterprises are involved in the worldwide Global Compact social activities or EFQM (European Foundation for Quality Management) excellence model (see Figure 1).

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 seeks two main goals: to help organizations to implement the principles of GC into business’ strategy and to force communication and partnership among various sectors inside and outside the country while seeking universal aims of world’s development. Lithuania set the national network of GC in 2005. Today, this network in Lithuania contains fifty one organizations (Figure 1). The key achievements of the Global Compact network of Lithuania are:

- a shift from the ad hoc approach to the strategic approach to the Network activities;
- transfer from UN Development Program leadership to company CSR leadership in the network;
- development of good practice examples and a joint organization of media events;
- regularization of experience sharing on “business case for GC/CSR” by members of the network (Local…, 2008).
To evaluate in more detail the efficiency of CRS means applied by the organizations that participate in the activities of Global Compact Network of Lithuania will be possible only when they publish the social responsibility activities’ reports. On the ground of the rules of Global Compact, the above-mentioned reports must be started to be published 3 years after starting participation in the GC network activities. Thus, the first reports of the CRS activities in Lithuanian organizations should be expected to be published in the year 2009.

The SA 8000 (Social Accountability) international standard was developed with the purpose to reduce or even to eliminate unfair and non-human work practice. Companies that are certified against SA 8000 standard declare to society that they are working according to all norms stated in international conventions. The SA 8000 certification means that all suppliers/subcontractors and sub-suppliers/sub-contractors are obliged to take care about their workers. Increasing awareness of society concerning inhuman work conditions in developing countries led to establishment of CEPAA (Council on Economic Priorities Accreditation Agency) in 1997 (Ruževičius, Serafinas, 2006). The main purpose of this organization was to develop a uniform requirement document for work conditions and to assure that goods (especially textile, toys, cosmetics, home apiece, etc.) in retail outlets are made according to international requirements of social responsibility. Some companies already acknowledged the commercial benefit of using internationally recognized standards, but there was no single opinion that practically should approve the social responsibility policy within the organizations. This fact led to situations when there emerged many codes of conducts, that were different and in some cases contradictory. Also, problems arose when the auditing processes started.
Thus, increasingly bigger numbers of organizations are interested in the CSR concept, and those already being part of socially responsible business more and more often require than adequate behaviour from the supply chain partners as well. In September 2007, there were 1461 organizations with certified SA 8000 systems in the world. Three Lithuanian organisations already implemented the SA 8000 system of social responsibility. The textile joint-stock enterprise “Utenos trikotažas” is the first Lithuanian company certified in 2006 for the social responsibility system according to the standard SA 8000. The daughter Ukrainian enterprise “Mriya” of this organization was also involved into the social responsibility process; this means that Lithuanian companies are spreading the best practices to organizations from other countries accessing the EU. An initial audit of the Ukrainian company showed some similarities to as well as differences from the Lithuanian situation. Similar is the development of competence of the system understanding, leading to more responsibilities at the place where actual work is performed and initiating more organizational freedom to make decisions at the lower management levels. At the same time, the cultural differences are obvious and require more attention from managers coming to work in Ukraine: local people are used to communicate “lively”, while management systems tend to document the activities. For Lithuanian employees it was easier to understand this conception, while Ukrainians consider documenting efforts as worsening their organization freedom and thus reducing employees’ satisfaction in this case. Also the psychological pressure of Lithuanian managers working in Ukraine gives a negative pattern in business communication with local people. As a conclusion on the situation, it is comparably easier to solve the problems related to documentation and infrastructure than to improve communication, attitudes and reduce cultural barriers.

Thereinafter we provide an analysis of the development of the above-mentioned tools in Lithuania within the context of the European and global businesses. In Figures 2–4, we present the implementation of the SA 8000 system in Lithuania, the EU and worldwide. All the mentioned figures are

| Figure 2. Worldwide top 10 countries and Lithuania by the number of SA 8000 certified enterprises (September 2007) |
| Figure 3. Worldwide top 10 countries by the number of SA 8000 certified enterprises per 1000 population (September 2007) |
designed by author. In the official statistics, social responsibility activities in different countries are assessed by one indicator – by the number of certified enterprises (see Figure 2 and 4).

In author’s opinion, this indicator is not straight enough for a comparative evaluation of the socially responsible business level in different countries and regions. Firstly, countries differ in the number of population. Secondly, the number of employees at SA 8000 certified enterprises is also different. For benchmarking of CSR activities, author proposes to use new relative indicators:

- the number of SA 8000 certified enterprises per 1000 population in a country (see Figure 3);
- the number of employees at SA 8000 certified enterprises per 1000 population in a country (Figure 5).

By the official statistical indicator – the number of certified organizations – Lithuania is much behind the worldwide leaders (Figure 2), but by the number of SA 8000 certified enterprises per 1000 population Lithuania is the second in the world. By the number of employees at SA 8000 certified enterprises per 1000 population, Lithuania is the third among the EU countries. Italy is the absolute leader in the EU and in the world by all the three mentioned CSR indicators. In author’s opinion, the number of employees at SA 8000 certified enterprises per 1000 population is the most objective indicator for countries socially responsible business level assessment. Therefore, this relative indicator can be recommended for the international benchmarking of socially responsible activities in different countries and regions.

The quality management systems ISO 9001 can also be defined as sustainable business and CSR tools because they facilitate the rational use of natural resources, a better management of personnel, improvement of work environment as part of improvement process, including the management of responsibility to allocate the necessary resources. In Lithuania, the certification of
the QMS started in 1995, and in the beginning of 2008 there were nearly 800 certified organizations – about 1% of all enterprises of the country (see Figure 1).

At the beginning of 2007, near 900 000 ISO 9001 certificates had been issued in 170 countries of the world. By this time, the biggest number of QMS certificates were issued in China (162 259 companies), Italy (105 799), Japan (80 518), Spain (57 552), Germany (46 458) and USA (44 883) (The ISO…, 2007). The number of certified QMS in Lithuania in the period 2000–2006 increased about fourfold. The growth of this indicator in Lithuania is much faster than the world average. QMS are being implemented not only in business enterprises, but also in hospitals, high educations institutions, police departments, city municipalities and other public sector institutions in Lithuania. The development of this socially responsible and sustainable business related tool worldwide is presented elsewhere (Ruževičius, 2007).

A comparative analysis of the development of environmental management systems (EMS) ISO 14001 in Lithuania, in the EU and in the world is presented in Figures 6–13. All calculations of relative indicators are made by authors from the ISO Survey source (2007).

The number of certified EMSs in Lithuania increased in the period 2000–2006 about thirty-fold. The growth of this indi-
In Lithuania, the number of ISO 14001 certificates per 1000 population (see Figures 9, 11 and 13). According to this indicator, the highest ranking countries in the world are Liechtenstein (0.49 certificate per 1000 population) and Sweden (0.48 certificate). The Czech Republic (0.22 certificate per 1000 population) is leading in the newcomers’ group of the EU countries. Lithuania, with 0.074 EMS certificate per 1000 population, is behind Estonia, the leading Baltic country (Figure 13). Thus, business organizations and state governmental institutions of Lithuania have every reason for concern.
The EU Eco-Management and Audit Scheme (EMAS) is a management tool for companies and other organisations to evaluate report and improve their environmental performance. The scheme has been available for participation by companies since 1995 and was originally restricted to companies in industrial sectors. Since 2001, EMAS has been open to all economic sectors, including public and private services. In addition, EMAS was strengthened by the integration of EN/ISO 14001 as the environmental management system required by EMAS, by adopting an attractive EMAS logo to signal EMAS registration to the outside world, and by considering more strongly indirect effects such as those related to financial services or administrative and planning decisions. The EMAS environmental requirements are stronger than ISO 14001. An EMAS-validated organization must continuously improve its environmental performance, systematically present public reports, verify the environmental management system, validate the environmental statement, etc. (Figure 14). Unfortunately, Lithuania has no organizations that have implemented the EMAS system. Germany is the leader in this field – 1,444 EMAS certified organizations (Spain – 936, Italy – 810, Austria – 253, Latvia – 8, Estonia – 2; April, 2008).

Eco-labelling (EL) of products is not only an indicator of sustainable business but also a tool of marketing. A rapidly growing interest of Lithuanian businessmen in EL should also be pointed out: at the beginning of 2003, only one fifth of the surveyed enterprises indicated their intention to seek eco-labelling for their products in the future, whereas in 2007, this indicator grew to 39.4% (Figure 15).
Although Lithuania cannot yet boast of the ecological certification and labelling indicators of its products, there are breakthroughs to be followed and positive tendencies in other ecology areas. Almost all state forests of our country have ecological certificates of the FSC (Forest Stewardship Council). Certification of the forest and wood supplier chain with the FSC certificate facilitates the exports of timber and its products. Another example: in 2007, six Lithuanian seaside beaches received the international Blue Flag eco-certificates. In 2005–2007, several Lithuanian hotels and village farmsteads were presented with international Green Key certificates confirming that accommodation and recreation services provided by these organizations meet the requirements set for the conservation of natural resources.

To expand the usage of environmentally harmless, safe and sparing products, it is required to promote consumer eco-education and eco-information programs on the state basis, thus improving the consumer’s competence and the ecological culture in society. Only an ecologically aware consumer will become a competent and demanding buyer and will cause business representatives to be responsible with respect to environmental and social issues. The implementation of eco-labelling in schools may be a valuable contribution to realise these claims. Amendments to laws on public procurement could contribute significantly to promoting the development of “green markets”, the implementation of quality management schemes and eco-management systems in companies and thus support their participation in public procurement.

Conclusions

The Rio de Janeiro conference for environment and development changed the outlooks in several ways of sustainable development and social responsibility. The key change was as follows: it became accepted wisdom that sustainable development should address not only environmental issues, but also should seek an equilibrium between the aspects of the environment, social activity and the economy. Organizations are being motivated to improve both social and environmental practices and the cooperation with the stakeholders by attempts of various international initiatives. In order to guarantee a durable partnership among the companies all around the world and the stakeholders concerned about the transparency of business results, organizations consolidate into global CSR networks, use various means to implement the concept of corporate social responsibility into business practice, from those abstractly declared to standardized worldwide. There are clearly visible direct and tight links between CRS and sustainable development. On the other hand, organisations’ public reports have shown a marked change from the purely environmental to the current wave of sustainable development and corporate responsibility reporting. CSR tends to focus less on the company itself and more on its activities – its community and social engagement, as well as the environmental aspects. If CSR is to become a widely accepted, less threatening alternative to corporate sustainability, CSR becomes simply “corporate responsibility”.

Summarizing the importance of implementing and integrating two new – CRS and sustainable business – concepts into the
companies’ practice, it should be noted that the image and reputation of organization in the social and environmental fields is more and more important to consumers. Qualified workers prefer to change their workplace and to stay with the companies that do care about their employees because the labour market is very competitive in Lithuania. The author concludes that certification of socially responsible and sustainable business management systems means not only a competitive advantage, but it is also a tool to reveal the strengths and weaknesses of a company. Unfortunately, Lithuanian organizations do not use the EMAS system as a tool of sustainable development.

A comparative estimation of different counties’ corporate responsibility by the absolute number of certified systems and tools is not informative enough. Therefore, for a more objective comparison, author proposes a relative indicator – the number of certificates (QMS ISO 9001, EMS ISO 14001 or EMAS, eco-labelled product certificates, etc.) per 1000 population of a country. This indicator can be useful for comparing sustainable development efforts of different countries and regions. In author’s opinion, the number of employees at SA 8000 certified enterprises per 1000 population is the most objective indicator for socially responsible business level assessment of a country. Therefore, this relative indicator can be recommended for the international benchmarking of socially responsible activities of different countries and regions. By this indicator, Lithuania is the third among the EU countries.

Only big Lithuanian companies having partners or clients from abroad are implementing CSR standards and running socially responsible businesses, while small and medium-size enterprises are not motivated enough for socially responsible business development as the civil society of Lithuania is still weak and people in Lithuania (customers, employees, shareholders and communities) do not prioritize socially responsible business. Gradually, CSR is becoming more valuable in Lithuania, and its future development mainly depends on the government and society. Lithuania is a participant of the global processes. Therefore, there is an annual increase in the number of organizations that are interested in the concept of sustainable and socially responsible business and those that are already part of this type of business. The leading Lithuanian companies are spreading the best practices of sustainable and socially responsible business to organizations from other countries accessing into the EU.

To expand the usage of environmentally harmless, safe and sparing products, it is required to promote consumer eco-education and eco-information programs on the state basis, thus improving the consumer’s competence and the ecological culture in society. Only an ecologically aware consumer will become a competent and demanding buyer and cause business representatives to act responsibly with respect to environmental and social issues. The implementation of eco-labelling in schools may be a valuable contribution to realising these claims. Amendments to laws on public procurement could contribute significantly to promoting the development of “green markets”, implementation of quality management schemes and eco-management systems in companies, and thus supporting their participation in public procurement.
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