

Full Length Research Paper

Does the social relationship matter? The corporate social responsibility

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A research into the impact of social capital (SC) on economic growth was focused mainly on civil society's social capital (SC). The SC related to the enterprises has still received little attention. On the other hand, the design, implementation and evaluation of large-scale development projects have traditionally been efficiency-driven and dominated by engineering approaches that emphasize physical outputs and costs. These approaches externalized the unmeasured economic-welfare decline and environmental damage in affected communities. As a result, many funding agencies had to withdraw their funding of major dam projects in the last decade. Consequently, major donors have made fundamental shifts away from the engineering approach to the SC approach focusing on the welfare of affected individuals and communities. The next point of this discussion is that the prevailing hostility and self-assurance of modern entrepreneurial culture can be observed. The commercial actions of the dynamically fragmented business on the global competitive edge in the broad virtual networks under the constant strong pressure of fast changing market conditions determine modern business, that is, the actions in networks and the governance of changes span beyond effective governance a strong potential of the SC. The recent crisis has clearly shown a clear lack of this factor in the modern western business, by contraries to the Asian business and economic growth, lets say in China or India, has exceeded all expectations before and during the crisis the Asian business is overwhelmingly small in corporate size and family-based, that is, a strong potential of the SC is inherent. The last point of the discussion is that the EU grant-in-aid for the spread of innovations under the clusterisation of business is ineffective. A business, especially in Eastern Europe, is really small and fragmented but overwhelmingly adverse to the partners, that is, we observe the same striking feature; a lack of social capital. These few points of discussion unquestionably denote that a strong lack of social capital really determines an unsuccessful business on the microeconomic level and a poor economic growth on the macroeconomic level. A set of four articles under common title "Does the social relationship matter?" will approach the various factors and processes shaping up the SC at enterprise and regional level and consequently altering appreciably the local business growth. The first paper aims at developing a method to break down the business investments in the form of the corporate social responsibility (CSR) investments and determining the effectiveness of these investments. According to research data the planned place of socially responsible business in Lithuania helps companies to attract and retain better employees, agree with partners, to meet high standards of CSR raised by foreign customers. At the same time it reduces the risk of environmental problems and violation of worker's rights and leads to the further rising of competitive ability and further opportunities for business development in the future that is, leading to rise of value added. The CSR investments in small companies differ from those in large companies, but some of the features for small companies become even more pressing. Companies that fail to fulfil their CSR activities may eventually be doomed to disappear from the market. The conclusions of the present analysis are quite important to Lithuania, as well as to Africa where a small family-based business predominates and is very sensible to the changes in internal and external social relationships.

Key words: Social capital and business governance, value added and competitiveness, perception of social responsible investments.

INTRODUCTION

The world of today is facing challenges such as climate change, high child and adult morbidity, allergic diseases, which are partly caused by non-organic environment and non-organic food, declining natural resources, social inequality and exploitation of people. As a result, private business interests are often at odds with the interests of the community. The main business objective at present is the evaluation of the business requirements of a high environmental value added meanwhile focusing on company's labour conditions and health problems in order to improve and ensure their transparency in the market. The business would run responsibly and transparently only without prejudicing public interests and socially responsible entrepreneurship would encourage the inclusion of community projects, taking into account public views and interests. The Corporate Social Responsibility (CSR) is about the contribution a company makes to society through its core business activities, social investment and philanthropy programs. At a time when every action is subject to scrutiny, a company that ignores the social impact of its practises may pay dearly in terms of lost reputation, tarnished brand, higher employee turnover and diminishing consumer loyalty. As a part of the new "green" deal, the importance of the "triple bottom line"; profit, planet and people; has grown exponentially (Blowfield, 2008). There are more examples in the world and especially in the European Union when a defiance of these factors has undermined company's abilities to meet its primary objective in the market. The rationale to investigate the CSR impact on macro and microeconomic growth in selected EU country is clear and present.

A major CSR driver is socially responsible investment, which allows investors to integrate personal values and societal concerns with investment decisions. In the U.S., for example, one dollar in every eight dollars or 13% of the \$16.3 trillion in investment assets were invested in socially responsible funds and an 82% increase since 1997 can be observed (Vaitiekuniene, 2008). It denotes a practical importance of the CSR research that is twofold: on a macro and microeconomic level.

According to the macroeconomic viewpoint of the discussion, the prevailing hostility and self-assurance of modern entrepreneurial culture can be observed. The contemporary entrepreneurs of Europe or North America have overwhelmingly grown and matured under the influence of the big corporate business philosophy and culture that were quite successful in 19 and 20 centuries

but are not working properly now in 21 century. It was a time of the creation, development and predominance of mass production with the appropriate capital concentration that is, a time of rise on a mass scale of the huge and stable structure of international corporations, the stable or slowly changing markets, the traditional mass marketing measures and especially an overall fight for the clients and against the competitors have constituted the core of business. Dynamically changing their structure business acts today in the broad virtual and temporal networks on the global competitive edge and under constant pressure of the very fast changing markets and business environment conditions, that is, the actions in networks and the governance of changes span beyond effective governance the requirements to create the potential of SC. The 2008 crisis has clearly shown that the modern western business lacks beyond other factors of this potential, by contraries the Asian business and economic growth, in China or India, has exceeded all expectations before and during the crisis. It is obvious that the Asian business is overwhelmingly differentiated, dynamically changing its structure and family-based, that is, an Asian entrepreneurship beyond other strong sides has historically inherited high potential of the SC. It means that a strong lack of social capital determines poor economic growth on macroeconomic level.

The lack of SC on macroeconomic level also determines the ineffective European Union (EU) support of new technologies and innovations. According to Lisbon agenda and strategy 2020, during the last several financial periods the EU subsidise the spread and application of the innovations and new technologies. The small business has big difficulties in acquiring and applying the new technologies but this process becomes easier when the small business entities are incorporated together with the scientific and research institutions in some associations, technological parks, or industrial zones, otherwise the spread of innovations under a business clusterisation (Mačys, 2005). The strong social relationship can warrant the successful development of such clusters. A business, especially in Eastern Europe, is really fragmented but overwhelmingly individualistic and adverse to the partners, that is, we observe the same striking feature; a clear lack of SC. That is why this type of EU grant-in-aid was ineffective in some countries of Eastern Europe: after temporarily strict control the most part of technological parks, business incubators have become the ordinary institutions leasing the place and offering some basic services for business, especially for the start-business (Macys, 1999, 2006).

A clearly unappreciated SC on microeconomic level is evident in a project management. The design, implementation and evaluation of both large and small-scale development projects such as dams, subways, big and small constructional schemes have traditionally been efficiency-driven and dominated by engineering approaches that emphasized physical outputs and costs. In this process, social equity and environmental costs, the

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Abbreviations: CSR, Corporate social responsibility; SC, social capital.

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unmeasured economic-welfare decline and environmental damage in affected communities have been relegated to the background, and usually externalized. As a result, many funding agencies have had to withdraw their funding of major projects in the last decade. The major donors including the World Bank, European Bank for Reconstruction and Development and other international financial institutions have made fundamental shifts away from the engineering approach to the approach focusing on the welfare of affected individuals and communities (Westlund and Nilsson, 2003). Externalities must now be internalized; that is, included in the programme costs while an economic development must serve, first and foremost, the local communities and groups. This should be done not on the basis of over-weighting the net benefits of local communities, but rather by ensuring that these community benefits are not simply excluded and ignored as in the case of externalities argument. To the degree that these local benefits are maximized, social capital will accumulate. In turn, as social capital rises, national development will be fostered and strengthened because integration of proper stakeholder analysis, as suggested above, into the logical framework of project cycle, will minimize risks and unintended costs that otherwise might make the project unfeasible (Hitchcock and Willard, 2007). These remarks unquestionably denote the practical importance of the present research: weak or even lacking social capital really determines on the long-term perspective an unsuccessful business on the micro-economic level and a poor economic growth on the macroeconomic level.

Although the concept of CSR emerged at the end of the 20th century and many European companies have already been successfully operating under the principles of social responsibility, Lithuania still remains as elusive developing country whether business and especially financial market participants must assume social responsibility for their ongoing business. The aim of the present research is to develop a method breaking down the Lithuanian business investments in the form of the CSR internal and external investments, and determining the effectiveness of these investments. The method of the research encompasses the survey and processing under the statistical analysis of opinions and statistical indicators sampled in the Lithuanian and foreign enterprises already running the socially responsible business.

The theoretical framework of the CSR initiatives is quite simple: What positive and negative consequences determine the CSR internal and external investments? The problem becomes more complicated when the CSR investments are supposed to compose the initial social capital and it is a subject of the second paper in set "Does the social relationship matter". The three benefits of social capital such as the contingency value, social inclusion, sheltering and coping over the time have been utilized to formulate a microeconomic model for determining the social capital derived from the interdependent utility functions. What exactly are the roles of

the SC and namely CSR actions in the local market distortion? What are the payoffs for the investment in the social capital formation? The second paper is addressed to these and other questions.

The local drivers for corporate citizenship in Africa are different from those typical of CSR in Europe. In Africa, legislation and enforcement are poor, civil society scrutiny is largely absent, and consumer activism for responsibly-produced products is relatively weak. While major projects in Africa must meet international standards and codes such as the Equator Principles and these standards have a trickle-down effect on local or regional suppliers to multinational companies, much of the CSR discourse in Africa is being focused on ethics and anti-corruption measures (International Research Study, 2006). Analysts are slowly starting to factor in investments that are not just secure and promise adequate financial returns, but which are also ethical and socially responsible. Rather than wait for managers to recognize their social responsibilities, individuals and institutions seek to induce the socially responsible behaviour by becoming activist stakeholders in the task environment of corporations and by using financial investments to either punish or reward firm behaviour (Freeman, 1984).

Increasingly, such behaviour is becoming institutionalized. A good example is the move toward legislating forced divestiture by public pension funds of companies' stocks of companies doing business in South Africa (Apcar, 1984). Currently there are several CSR organizations in Africa that have overlapping responsibilities and spheres of influence. Corporations concerned with CSR are generally multinationals. Small and medium-sized companies do not appear to give much importance to CSR, because these companies typically do not have adequate economic or human means to implement a CSR policy. Transforming failing business into profitable enterprises or good business into great one relies firmly on the socially responsible business initiatives and social capital accumulation that the CSR practices in Africa can inspire. The analysis of the CSR initiatives is quite important in Africa too.

THE SOCIAL CAPITAL AND THE CSR INVESTMENTS IN LITHUANIA

The CSR is referring in part to the significant and positive roles that corporations can play in several key areas: safeguarding core labour rights, protecting the environment and respecting human rights in communities in which they conduct business. This premise encompasses the relationship of corporations to all stakeholders, including any person or group that can either have an impact on, or be impacted by, the activity of that particular business. One strategy for social responsibility frequently involves the formalization of mechanisms for stakeholder relations, transparency, accountability and corporate governance. It might appear that the concept of

Table 1. Social capital of an enterprise broken down to different component parts (Westlund and Nilsson, 2003).

Social capital internal to the enterprise	The enterprise' external social capital		
	Production-related	Environment-related	Market-related
Links/relations filled with attitudes, norms, traditions, etc. that are expressed in the form of:	Links/relations to suppliers, product users, partners in cooperation and development	Links/relations to the local/regional environment, to political decision makers etc. (lobbying capacity, etc.)	Trademarks and other general customer relations
<ol style="list-style-type: none"> 1. Company spirit 2. Climate for cooperation 3. Methods for codifying knowledge, product development, conflict resolution, etc. 			

being socially responsible is in conflict with the desire to achieve growth and maximize profits. However, the enterprises promoting the CSR have the distinct competitive advantages. They are the critical and highly valued resources for the successful management in global businesses. Their intangible characteristics, behaviours and qualities deliver tangible and preferred business results. As more companies recognize the benefits the CSR brings, in future it may become a corporate expectation and standard of performance. On the other side, the CSR encourages employees at all locations worldwide to volunteer time to assist in a wide range of community outreach activities. In North America, these may include Junior Achievement, Habitat for Humanity, volunteer fire fighting, community counselling, support to health organizations and terminally-ill patients, local school programs and environmental conservation. Globally, these activities take shape to match the varying needs of the local communities.

Ever since Putnam (1993) made the concept of social capital known to a broader public, the term has almost entirely been connected to networks, norms, values, etc. in civil society. This 'Putnamian' tradition has dominated research where social capital explicitly has been in focus. This does not mean that we completely lack information on aspects of social capital in enterprises and economic life in general, but studies of business networks, norms and values mainly in the discipline of business administration have generally not been associated with the theories of social capital.

There are some important differences between the civil society and business life. The basic mission of an enterprise is, in general, to earn money, to operate at a profit. So, it is not worth to expect that enterprises will build social networks with a non-profit making purpose. Nor is the interaction merely of an informal nature. It can be extremely formal to discuss transaction-related interaction and express the opinion that this has a social dimension over and above the formal customer-supplier relationship. In the same way as the transaction-related relationship, the social dimension has an economic utility value if not direct, then indirect. This can be illustrated by

the resources invested by enterprises in relation with external actors, particularly customer groups. Taking care of and maintaining close relations is now becoming increasingly important, not only in industrial markets but also for enterprises active in service and mass markets. Club activities in various forms have long been an established method of creating stronger relations with consumers. A customer-relation management between enterprises has been developed into a special activity area. Accordingly, an enterprise's social capital can be an intentional investment as well as a byproduct. From a social relationship viewpoint, a value added can be created, which is not planned or intentional, but which is an important aspect of what is defined above as social capital at the enterprise-specific level.

Table 1 provides an outline picture of the structure of an enterprise related social capital. Some of the investments can be found in a large proportion of enterprises, for example, in respect of several components of an enterprise's internal social capital and entertainment, advertising and sponsorship. Other investments are much less frequent, for example, investments in research and development (R and D) and contacts with University Colleges/Universities and local decision-makers. The importance of the spatial aspects is reflected, for example, in the fact that cooperation with enterprises inside a municipality is greater than with enterprises outside the municipality (Westlund and Nilsson, 2003).

As with many contemporary social trends, the socially responsible investment movement emerged in the late 1960s as part of a broad challenge to business to conduct its affairs in a more socially responsible manner. Rather than wait for managers to recognize their social responsibilities, individuals and institutions seek to induce socially responsible behaviour by becoming activist stakeholders in the task environment of corporations and by using financial investments to either punish or reward firm behaviour (Freeman, 1984). Increasingly, such behaviour is becoming institutionalized. According to the data of 2009, more than 50 Lithuanian companies and organizations are members of the United Nations (UN)

Global Compact a socially responsible business network. The Global Compact initiative was developed by the UN Secretary General Kofi Annan at the World Economic Forum in 1999. Business leaders have been invited to join the initiative, which brought together business companies and organizations, the UN and civil society, based on ten universal principles of human rights, environmental protection and the fight against corruption. The goal of this network is to encourage companies to act responsibly: do not harm the environment, society, other businesses, and jointly with the UN, government institutions and non-governmental organizations, participate in solving social and environmental problems and contribute to social development and economic growth (Jušcius, 2007). The Global Compact was introduced in Lithuania in 2004 and in April 2005 eleven Lithuanian companies and organizations already established the first national network of responsible business.

THE PRESENT RESEARCH DATA

A research of the CSR factors in Lithuania was carried out by paying particular attention to financial institutions. The method of the research was a survey of opinions and indicators of the Lithuanian enterprises running the socially responsible business in 2008 to 2009. Based on the literature review and discussions with experts in the area of socially responsible business and investing, a preliminary instrument was prepared. It was tested on the randomly selected students and market research experts. The total number of final respondents was up to 300 enterprises, sampled according to the criterion of the CSR recognition, it encompasses the Lithuanian and foreign enterprises already completely running the socially responsible business or just recognizing and following the Global compact principles. The questionnaires were presented to the principal stakeholders or senior managers in the case of international company or bank and the staff of surveyed enterprises. The data were collected, processed and applied to draw out the factors that according to the factor analysis method are shaping considerably the socially responsible business. Some of the conclusions are based on the simple counts of issue mentioned, without measurement of belief strengths; another part of conclusions is based on the factor analysis (Pociuviene, 2009).

The size of surveyed enterprises was: 37% less than 50 employees, 33% less than 150 employees, 23% less than 300 employees and 7% more than 300 employees. It should be noticed that, according to the Lithuanian national statistics, 94% of business enterprises are less than 250 workers. It is clear that both the large and small surveyed enterprises are running socially responsible business. The branches of activities correspond also the national statistics: 51% of surveyed enterprises are working in the service sector, 30% in the industrial sector,

16% are commercial enterprises and 3% are working in the sectors of energy and finances.

The research results suggested that the majority of surveyed companies are working in accordance with the principles of the CSR for one to three years. Such an interval includes 82% of surveyed companies. In Lithuania, the implementation of corporate social responsibility principles is just starting its way to the business world, so it is hardly surprising that the maximum period, during which companies consider themselves to be socially responsible, is 5 years. 2% of all surveyed companies have become socially responsible only the last year, it means that a small part of Lithuanian companies are interested yet in solving the inner and external social problems and running the truly socially responsible business. Also it is clear that the Lithuanian companies simply lack of the information on this topic, whereas it was indicated by 94% of respondents. It should be noticed also that at present there are the broad possibilities to find more information about the framework of CSR than it was 5 years ago, when companies first started socially responsible business, but so far there is no systematic, clear and informative information to help the companies in planning their socially responsible business.

Every second respondents indicated caring for their staff as the priority of CSR. Meanwhile, the companies at least focus on the social support, participation in the social activities and environmental protection. On the other hand, every third company staff indicates that in one way or another it is taking care of surrounding community. Yet as many companies work in accordance with the CSR standards, therefore the results of this research are surprising, but it is necessary to bear in mind that under the circumstances of crisis the employees are increasingly valued and the company senior executives are investing more in the human capital in ways of organising skills training, refresher courses, recreational facilities. A next point is the growing care of neighbour community. It denotes that before the external social relations have had the adhesion to the EU been encompassed barely the charity, now it includes already a number of activities and is fast growing.

The differences between the opinions of the staff and decision-makers can be observed (Figures 2 and 3). According the senior executives, the biggest attention is paid to the employee training and leisure. The staffs denotes it as the employee care, these internal social relations encompass 79% of the CSR actions. First of all, the Lithuanian companies improve the company image and a third of CSR actions are external. They are more intensive on a scale and content including the corruption stopping and not commercial communication. The companies' executives notice that a proper image is very important and every company has to foster it and CSR investments are the best way to reconcile two things: profit making and social issues. The company's image,

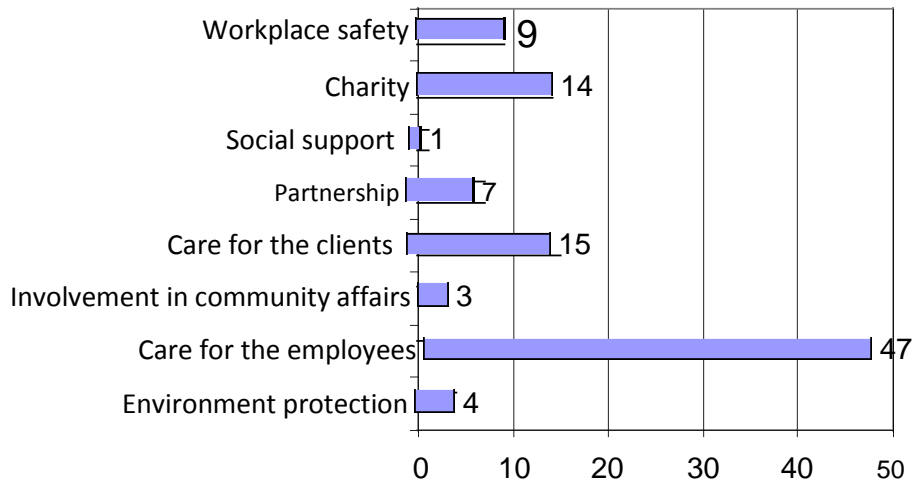


Figure 1. The areas of CSR investments.

especially if it is based on a real focus on people, is an important factor in enhancing the technological and social innovations, safe work conditions and favourable psychological climate within the company and nearby community as well. The companies with a strong image will always have fewer problems concerning the staff turnover and employee disloyalty. It should be noticed that nowadays the companies have mainly invested in training, took care of leisure time of their employees and informed society about their activity. The lesser part of projects is internal and related to the industrial safety, the implementation and development of safe environment technology and product quality improvement and the psychological climate at work.

The social responsibility can be embodied within the corporate strategic plan. For instance, programs that enhance philanthropic outreach can be woven into the plan and advocated by the CEO. This serves as a point of reference and as a guiding force for employees as they perform activities at their deeper, business unit level. In addition, corporations can establish a variety of programs that provide a solid foundation for the development of CSR, ranging from ethics training to participation in the industry initiatives and community activities.

The surveyed financial institutions have also noted the same framework of CSR investments: mostly they invest in training and care for the employees (27%) as well as environmental protection (25%); care for the clients and communication with community receive fewer investments (18 and 16% respectively), while the development of partnership is the least supported. It was noticed that there is no difference in answers of both the staff and managers of financial institutions (Davidaviciute, 2009). The clear external relations are considerably more intensive than in the case of the commercial companies. The Lithuanian financial institutions being mostly of foreign capital are more concerned by the content and

accumulation of the social relations. They feel more stable and realize more conservative policies in the financial market of the small country like Lithuania and what is most important, they have substantially more operational capital than the business entities to reach the CSR objectives. The CSR policy of these institutions looks like the policy of big companies. The next argument is the nature of the consumer company relations: there is a long-term confidence-building on the ground that the whole client future the capital, investments or all the financial means is entrusted to the financial institution and in opposite, these relations are mostly short-term, spontaneous, accidental and often mistrustfully in the case of business company. That is why the business concern, especially small business, in partnership is clearly expressed (Figure 1). The same trends can be observed also in the other European countries (Gudoniene, 2007).

The value added created by CSR initiatives and the small business singularities

The company reputation along with the public relations and stability has significantly increased according to the research data (Figure 3). After the implementation of CSR projects, employees' skills and morale along with a company's reputation and public relations significantly increase. Only a small number of respondents, who have been working with CSR only for 1 to 3 years, still do not see any tangible benefit. Many corporate executives indicated that factors such as competitive advantages, increased sales, employee relationships and others, are also the results of social responsibility implementation, though it is difficult to measure. Financial institutions were more accurate. They stated that CSR investments had increased business competitiveness (31%), sustainability (18%) and efficiency (13%). The loyalty and retention of

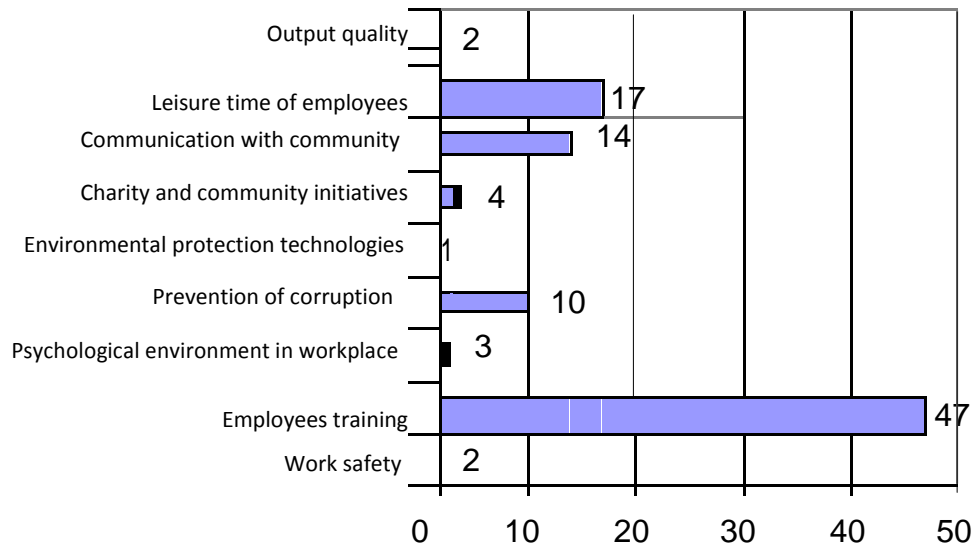


Figure 2. The scope of CSR projects in 2009.

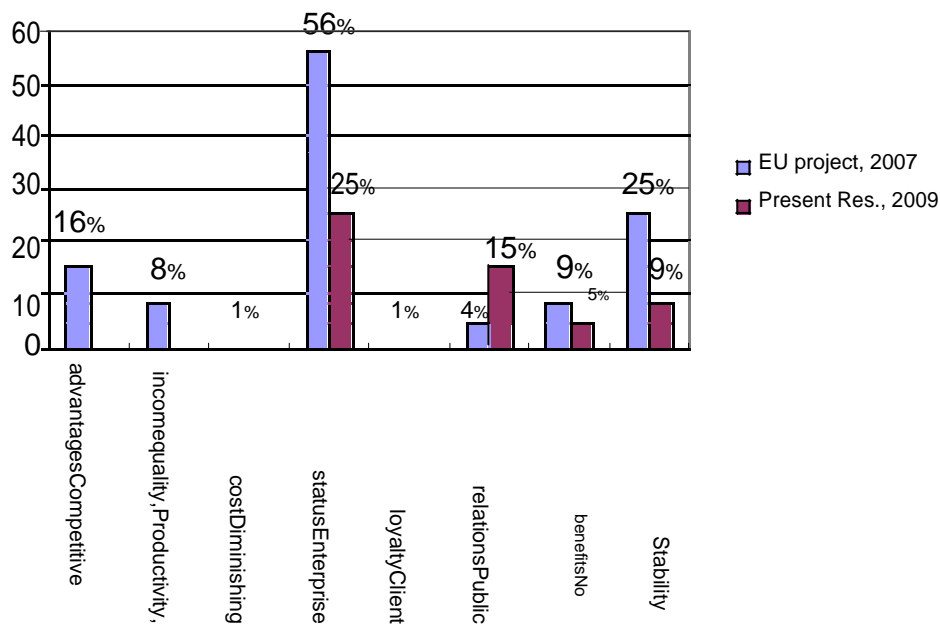


Figure 3. The benefits of CSR initiatives. Sources: Gudonienė (2007), a present research – Pociuviene, 2009.

employees as well as the observance of legislation had been less but evenly increased by CSR investments. On the other side, the majority of the respondents from financial institutions clearly stated the reasons for the refusal of ongoing CSR investments: a lack of resources and an increase in costs (58%), hostility of managers (17%) and employees (13%).

An EU project “The trends of common social responsibility of small and medium enterprises” has been accomplished in 2006 to 2007 (Gudonienė, 2007). More

than 1500 enterprises in Lithuania, Estonia and Latvia were surveyed together and more than 150 enterprises were visited for local detailed analysis. The EU and present researches show the same greatest benefit of Lithuanian enterprises “Enterprise status or reputation”, but differ in the position of the next utilities “Business stability” or “Better public relations” and so on (Figure 2). According to the EU project, in 2006 the Lithuanian enterprises have also seen the substantial benefits of SCR investments directly in business stability and

competitiveness. An interest in a business stability and growth remains the same in 2009-2010 despite the crisis. The biggest differences of these two researches arise from different activities of surveyed enterprises: the EU project has been more interested in industry and service enterprises; the present research has been more interested in financial institutions. So, the producing enterprises of Lithuania are directly concerned by the CSR investments that give the benefits in internal operational areas: rising the productivity, competitiveness etc. The financial institutions of Lithuania are naturally more concerned by an external image, status or active public relations.

All the respondents agreed that the CSR projects' costs are not recouped, although one-third of them argued that it is difficult to assess, and one-sixth of them claimed to see social responsibility as a long-term investment and even expect a rapid payback. Only very few executives agreed that social return on investment is not necessarily measured in financial metrics, on the contrary, in moral satisfaction. Three-quarters of the respondents agreed that the value of their company had not changed, but the rest did not know how this can be assessed. Indeed, the Lithuania has not yet established any company (using the method of the estimation of social responsibility benefit) that would operate under CSR principles.

There are no doubts that the biggest impediment to the CSR investments is a lack of staff experience. It encompasses the external and internal information as the training of employees as well. It was quite correct few years before, the situation has changed entirely now: there is a pile of promotional sources, different public and academic surveys, other literature but due to the continuing crisis a part of companies are looking for the possibilities to survive. So, a socially responsible business is not the first concern for the biggest part of companies now and only a big business has some interests in some CSR areas (Figure 3). The majority of companies under investigation believed in the Government's role in promoting CSR, although during the research this view could be influenced by the Parliament's increased attention to bills on tax concessions for socially responsible companies. However, the Parliamentary Committee on Economics did not approve the tax concessions due to the still continuing complex economic situation in Lithuania.

Companies as well as their employees and the society on the whole benefit from social responsibility. Only a small number of respondents (12%) considered that CSR investments are beneficial for employees only. It is clear that companies do not yet fully realize the meaning of social responsibility and make the greatest efforts to ensure the welfare of their employees rather than to solve social and environmental problems. The respondents' overall opinion on the perspectives of social responsibility in Lithuania was almost unanimous: only large and profitable companies will be able to carry out CSR and it

depends on the overall political and economic situation and legislation. Only 5% of the respondents claimed that this activity would continue to be successful.

The implementation of social responsibility in small companies differs from that in large companies, but some of the features become even more pressing for small companies. Small and medium-sized companies are much less mobile than large companies, they cannot quickly move their business elsewhere and therefore it is very important for them to act responsibly in their own environment and community, make investments in consideration of local peculiarities. It is important to assess local risks, consider and respond to the surrounding mood.

Usually the community has a significant impact on the success of small businesses by interceding for or disapproving it. For small companies it is particularly important to manage internal information and maintain good relations with employees, because in a small community rumours spread faster and cause more painful consequences. Adopting and implementing the effective CSR policies is critical to managing risk and to doing business successfully. In view of the negative impact that the poor business ethics and practices in one place can have on an entire small business system in a region, the urgency and importance of widespread awareness raising and internal training cannot be underestimated (Li EAL, Mehmet, 2001). The main challenge, therefore, is ensuring that all small business employees have a good understanding of the values and business principles. Next to this, it should be able to communicate continuously with the employees to update them on the CSR policies and any changes that may arise from time to time.

The perception of CSR investments inside of companies

According to employees, the major changes in companies after the implementation of CSR projects and programmes are investments in employee's training and retraining. Only a quarter of the interviewed employees stated that the main change after the introduction of CSR was recreational facilities for employees and their family members. Thus, social responsibility is really useful to employees because employers try to improve their motivation not only in terms of money, but also in social terms. It is shown even better in Figure 4 on benefits for employees. Every second employee maintained that he had an opportunity to attend training courses and upgrade his qualification, and one in four indicated to feel more valued as a result of this opportunity. It is clear that during the period of current crises the opportunity to learn and grow is very important to employees. In this context it is also important to mention that previously companies did not pay much attention to raising the professional

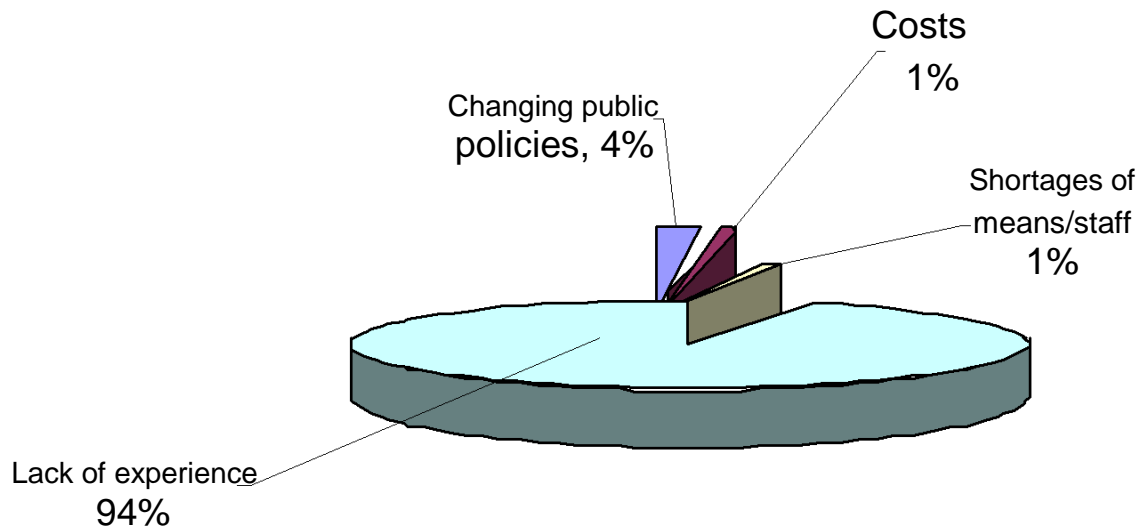


Figure 4. The impediments to the CSR investments.

qualification of employees, assuming that it is their own business. However, the situation has improved and this notably raises employees' motivation.

Noteworthy is the fact that the vast majority of the respondents do not see any weaknesses in the implementation of social responsibility in a company; just a few of them mentioned such shortcomings as an increase in workload and responsibilities or tightened procedures in a company. The survey revealed that only one in four employees knew nothing about the implementation of CSR projects, while all the rest were informed of or even initiated CSR initiatives themselves.

Employees must participate in all stages of the implementation of CSR: strategy formulation and its implementation and evaluation. If employees are not adequately engaged in CSR activities, it would be impossible to achieve its goals. As it is clear from the research, employees usually believe that the benefits are received by all groups and a small part of them attribute benefits to certain specific groups: the company, the society. In response to the question whether it is important for a company to operate in accordance with the principles of CSR for leaving or changing their position employees, even half of the respondents said that it was not very important and over one-third of them said that it did not matter. Obviously, employee training, care for a safer and more comfortable work place, recreational facilities and other employee incentive arrangements are a self-explanatory matter for employees and the social welfare package should be provided regardless of whether the company operates in accordance with CSR principles or not. In summary, it may be stated that employees themselves receive the greatest benefit from CSR. However, the situation may completely change as the economic crisis in Lithuania forces employers to assess their capabilities more realistically and tighten their belts as well as reduce costs

for the promotion of employee welfare.

Another aspect is the company senior executives' awareness of social responsibility. The results of the present research indicate that companies in Lithuania misunderstand the functions of socially responsible business or just select the areas acceptable for them and apply the principles of CSR in these areas exclusively. Thus, companies consider social responsibility as a less important measure to help solve social and environmental problems than a measure for marketing, corporate image enhancement provided in order to increase profits. It is important to note that in Lithuania there are companies which operate under certain codes of ethics, which are socially responsible and pay a tribute to the society and the state. Some of them even do not declare being socially responsible. Companies should not be afraid to announce that they operate under the principles of ethical business, respect human rights, protect the environment, organize charity or support projects, because all of this would encourage other companies to join. There is no precise answer to the question whether a company's funds which are invested in socially responsible business development can be recouped and bring more benefits to the company. Company executives are unsure even of how to calculate the return of social responsibility. However, it is a long-term investment and the actual results are possible to measure after a rather long period of time. Although there is a slight clash of the opinions of company executives and employees on provided benefits, the majority of both company executives and employees agree that the greatest benefit is received by companies as well as employees and the society. So it is safe to say that investments in the development of a socially responsible business can be recouped and bring more benefits (not necessarily expressed in financial indicators) for a company, but mostly in the long-term perspective.

Differences between the foreign and local business' perception of CSR initiatives

There are obvious differences between foreign and Lithuanian experience in the sphere of CSR. The main factor that encourages the responsible approach of foreign businessmen is the pressure of consumers and society. Such initiatives in the Lithuanian companies are usually encouraged by foreign partner companies: projects are implemented inside a certain company and directly provided to the cooperating partners. The Lithuanian companies carrying out similar initiatives are often guided by the inner moral and ethical needs. It points out that Lithuania does not yet have the main mechanism for the promotion of CSR response to the requirements of demanding and responsible consumers. It is obvious that currently companies in Lithuania undertake social activities perceiving them mainly as charity or philanthropy. Although many companies provide funding for social projects, they still conceive that it is one of the ways of marketing rather than an equal partnership and the establishment of systematic cooperation with social partners and other beneficiaries. However, it is evident that despite all the differences and limitations, socially responsible business ideas in Lithuania are constantly growing.

Fortunately, a part of Lithuanian businessmen have announced an initiative to assume additional responsibilities and join the national network of socially responsible companies, the list of which includes world famous names of companies corporations which apply internationally accepted management models and understand their advantages. However, the application of modern human resource management models in Lithuania is impeded by the lack of stakeholders' maturity. This leads to a paradoxical situation: in the old EU Member States, the role of CSR locomotive is played by the interested groups for several decades, and in Lithuania, this role is played by public authorities, international organizations and modern business initiatives.

The results discussed in the present article are based on a small pilot study of small number of enterprises. There is therefore every reason to emphasize that the results should be seen as promising indications of the relationship between social responsibility, social capital in general and growth in business. Nor, with our limited data, have we found it reasonable to study tendencies in the relationship. There exist, in principle, equally sound arguments that growing enterprises invest more in social capital as well as that investments in social capital lead to growth. Both of these problems could be successfully tackled in larger studies dealing with regional and sector comparisons and covering a sufficiently long period to make cause effect analyses.

It might also be important to stress some practical implications of the issues brought up here.

Enterprises' investments in the various components of the social capital seem, in principle, to be measurable in the form of the enterprise's expenses for these activities. But the charts of accounts used by enterprises are not adapted to allow direct specifications regarding the investments in CSR initiatives to be made. Therefore, the measurement of such investments is possible through the use of questionnaires.

A long-term solution to this problem would be a change in bookkeeping methods. Measuring the stock of an enterprise's social capital is (with some exceptions such as, the trademark, the value of which is today normally assessed as capital stock) still a rather difficult task, since it requires the rate of the depreciation of investments to be determined. It is probable that the rate of depreciation varies between different types of investments, but it should be possible, in practice, to estimate the average period of depreciation as is done with physical capital (Vaitkevicius, Stukaite, 2009). Thus, the problem lies in methodology rather than in the CSR principle. It requires the development of new bookkeeping methods.

Conclusions

A CSR was defined as a part of an enterprise-related SC and the latter as social and economic networks in which enterprises intentionally and unintentionally interact and invest in. It was confirmed from the perspective of the individual enterprise the familiar types of investments that an enterprise makes to strengthen and renew its internal and external social capital. In our tumultuous and ever-changing world, the importance of ethical, responsible behaviour in business cannot be overestimated. The CSR goes beyond the company reputation, image or public relations. It is more about the fundamental values, beliefs and culture of the company. The socially responsible entrepreneurship is clearly encouraging the inclusion of community projects, taking into account public views and interests. It is true especially in case of our financial institutions, so there are clear and strong trends of rising the business CSR initiatives in the next future.

Certain components of these networks are open for ownership while others are not. Interaction in these networks generates network advantages and economic utility in individual enterprises as well as in the place/region in which they are located. On the basis of a division into internal and external social capital, we divide the latter in production-related, environment-related and market-related social capital respectively. Companies should empower managers to develop strategies with beneficial social impact. Part of this means that companies need to embrace programs that contribute to social responsibility and ensure that there is a proper balance between meeting financial goals and establishing long-term shareholder value. Employees, in turn, should

be recognized for such leadership with positive reinforcement and other incentives. Guiding principles and unambiguous policies must be in place to assure that business managers employ desirable methodologies. This balance also is required to minimize exposure of the corporation to unethical practices that subsequently may lead to a negatively contagious, "follow the leader" scenario and open up a corporation to intense public scrutiny. Stepping beyond compliance, managers should also be encouraged to be socially responsible in their decision-making.

The socially responsible business practices do mean more profit in the long run; it will be a way of incentivising businesses generally towards the better corporate governance. According to some scholars, the index will put the big companies in the spotlight and hold companies accountable and even place "peer pressure" on those not listed to tow the line of sustainable business. The index is a step forward to the better corporate governance. Marketing companies are looking at the corporate brand differently and are investigating the potential of socially responsible marketing, or combining a social message with brand identity. It is a combination that has been shown capable of strengthening a brand immeasurably.

For companies operating in developing countries like Lithuania, the business case for becoming more ethically and socially responsible is even more pressing and in particular, for those enterprises whose products are deemed by some to be controversial. On the other side, Lithuania still lacks for understanding of CSR utilities, therefore it is important to disseminate and make specific statements provided by companies as examples of business leadership, but not as its advertising. It is hardly possible to find the best recipe for corporate social responsibility, which is relevant for all business companies, therefore most of companies or financial institutions are under course to find in this concept something relevant just for itself, whether it is the desire to increase competitive advantage, or reduce adverse environmental impact, or reputational risk and cost, or finally try to achieve employee's motivation and loyalty. Companies should empower managers to develop strategies with beneficial social impact. Part of this means that companies need to embrace programs that contribute to social responsibility and ensure that there is a proper balance between meeting financial goals and establishing long-term shareholder value. Employees, in turn, should be recognized for such leadership with positive reinforcement and other incentives. For the meantime the term of social responsibility in Lithuania is the term used by bureaucrats and some businessmen, but it is still not well known and understood by the general public. Therefore, in general, the term of corporate

social responsibility is understood differently: For some it is related to the promotion of employee rights or participation in community activities, for others it is related to environment or environmental or social initiatives support. Although it cost the company additional resources, those who try to implement socially responsible business principles and introduce them to their company, already know that the investment into the socially responsible business returns in the form of additional gaining or saving the present gains, or in the form of better company competitive position in the market and better reputation in the eyes of customers.

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