



THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON LITHUANIAN BUSINESS INTEGRITY

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Annotation

Authors analyze the influence of development of corporate social responsibility on enhancing business integrity in Lithuania. An integrity is described as a mover of sustainable business and a strategic factor of competitiveness. Dishonest business distorts market, restricts the fair competition and makes up unequal business terms for economic entities. The transparent business gives the maximum benefit to the public and contributes to the promotion of equivalent competition. Corruption remains a major problem in Lithuania. Combating corruption takes a place alongside human rights, labor rights, and environmental protection as one of the major issues in corporate social responsibility. Corporate social responsibility generally refers to transparent business practices that are based on ethical values, compliance with legal requirements, and respect for communities and the environment. The development of socially responsible initiatives and activities enhances companies' reputation, increases employees' loyalty and also conditions a positive attitude of the community and attractiveness of investors. The paper deals with the situation of business integrity in Lithuania. Business environment for integrity is not very favorable in the country. Socially responsible companies in Lithuania focus on realizing policies of transparent business, anti-discrimination and anti-corruption, but development of socially responsible activities is still not very common in business practice. Researched the influence of corporate social responsibility on enhancing business integrity the authors found that an active development of socially responsible initiatives and activities positively impacts the enlargement of business integrity. A growth of transparency could determine the sustainable performance of companies and the competitiveness of Lithuanian business in global market.

KEYWORDS: Lithuania, sustainable business, corporate social responsibility, integrity, corruption, competitiveness.

JEL CLASSIFICATION: A13, D73, M14.

Introduction

The recent global economic downturn across the world has created many significant challenges to businesses. Today, as businesses search for ways to develop and grow, understanding and responding to the society's requirement for transparent and honest performance is crucial to business. Modern business must take into account society's interest because it is the foundation of business success, without which the business is not be able not continue the development. The businesses are profit maximizing entities. With changing business environment, the role of enterprises has changed. Business is an essential part of social life. The enterprises construct the business environment and are the members of society. Responsible business organizations build relationships with all groups of stakeholders based on reliability and trust. Understanding society's needs is an important first step in developing strong society-business relationships. To gain competitiveness, business organizations must use this understanding to design market offers that deliver more value than the offers from their competitors. The key components to create and achieve sustainable competitiveness are the run business in a transparent manner and being aware of responsibilities to the public at large; to their stakeholders and making decisions that

reflect these responsibilities in clear and transparent ways.

Corporate social responsibility offers a set of values on which could be built more transparency business environment. The implementation of principles of corporate social responsibility promotes enterprises in their desire to enter into additional commitments to improve their business practices and to harmonize working relations and actively participate in social dialogue, considering the positions expressed by the stakeholders and the public expectations. The development of corporate social responsibility is the way in which businesses contribute to the sustainable development of society, having a positive impact on business integrity and competitiveness.

The problem of the study is that the influence of development of corporate socially responsibility on enhancing Lithuanian business integrity has received a little attention in the literature. Furthermore, the premise of the study is that business integrity is the mover of sustainable business and the strategic factor of competitiveness in turbulent economic time. The changed socioeconomic environment demand transparent and accountable business conduct. There is no longer enough to be competitive for Lithuanian enterprises only by satisfying the consumers' needs. Enterprise's competitiveness and success in the global and local

markets more and more depends on transparent business practice.

The object of the study is business integrity.

The aim of the study is to analyze the influence of corporate social responsibility on business integrity.

The tasks of the study are:

1. To explore the integrity as a strategic factor of competitiveness.

2. To investigate the environment for business integrity in Lithuania.

3. To analyze the importance of corporate social responsibility for enhancing business integrity.

The methods of the study are systematic, logical and comparative analysis of scientific literature, synthesis.

The integrity as a strategic factor of competitiveness

A modern society, including business, goes through the complicated procedures of value change, where the position of the integrity may lead to many of the social and political priorities for the future. Increased integrity creates a medium for a new source of moral behavior conception. The notion of integrity is more than moral individual character trait (Cox et al. 2003, Pritchard 2006, Verhezen 2008, Cloud 2009). It is a process of continuous ethical awareness of the organization. According to Cameron, Bright and Caza (2004), integrity is one of the virtues that strongly related to firm performance and to prevention of unethical and dysfunctional behaviors in organizations. Organizational integrity as a theoretical approach aimed to minimizing corruption in organizations —refers to the integration of an organization's operational systems, corruption control strategies and ethical standards (Larmour and Wolanin 2001). Organizational principles and values frame the moral obligations and duties and create an ethical environment in which virtuous behaviour is able to lead to beneficial consequences for those working within that organization (Verhezen 2008). The most valuable asset of organization is good reputation of the people within the organization. It ensures competitive strength and a strategic advantage of organization. In organizations where ethical values are inculcated and where procedures

are recognized as fair, employees are motivated to comply with rules and regulations. Compliance to rules and regulations makes managers and employees accountable for their actions and behaviour. Moral values underpin good corporate governance practices optimize the organization and increase shareholder value. The improved relationship with stakeholders fosters creativity and innovations among the stakeholders. A policy of integrity serves the practical purpose of acknowledging good reputation as a legitimate license to operate in a certain socioeconomic environment (Verhezen 2008). In accordance with Kayes et al. (2007), “organizations that are able to face the turbulent business environment armed with increased integrity will minimize the risk they face from unethical employee behavior, and be better able to recover if and when this does occur”. It is like using integrity as good reputation to create organizational goodwill that functions as an insurance policy in times of crisis (Verhezen 2004). Implementing an integrity-based strategy could possibly lead to competitive advantage in a world where commitment to relevant stakeholders beyond mere shareholders and political correctness is becoming increasingly well appreciated (Jackson and Nelson 2004). A policy of integrity add real value in terms of an enhanced good reputation, increased loyalty, trustworthy employer, credible leadership, and taking account of stakeholders' interests. Ethics and integrity impact an organization's competitive advantage and must be managed carefully within contemporary organizations (Petrick and Quinn 2001). As Parry and Proctor-Thomson (2002) had it that presence of integrity will improve organizational effectiveness. “It is becoming increasingly apparent that the full integration of ethical standards into business practice is not only preferable, but also necessary for long-term organizational survival” (Parry and Proctor-Thomson 2002). As stated Li et al. (2010), integrity is the best strategy and guaranty for market subjects realizing self economic interests in market economy. Accounting integrity can decrease trading costs, improve enterprises' operational efficiency, enlarge market shares and competitiveness. The integrity in business assumes increasingly competitive significance in rapidly changing market.



Fig. 1. The relationship between integrity and competitiveness

Businesses that want to sustain distinctive global competitive advantages need to develop integrity as a strategic asset. Enhancing integrity contributes to global sustainable competitive advantage of enterprises and strengthens their competitiveness in domestic and global market (Fig.1.). The integrity could be treated as a strategic factor of businesses competitiveness. Businesses which act with integrity will not only survive future competition as changed socioeconomic environment demand transparent and accountable business conduct, but they will also engender a high quality of life within the organization and around.

The environment for business integrity in Lithuania

The businesses can help to address many of the challenges facing development of country through knowledge, experience, presence and influence. Through investments, integrity and good business practices, Lithuanian enterprises can contribute to strengthening the country's economy. The main task of businesses is to create the value and generate financial results within the legislative framework of the society in which they operate. For development of responsible business is essential favorable political-economical environment.

According to the survey "Business Integrity Assessment" (2012), the environment for business integrity is not very favorable in Lithuania (baltojibanga.lt 2012). As stated Fuks (2012), in Lithuania working Estonian capital companies admit that the corporate culture in the country is not at the level of Estonia: in Lithuania a less favorable business tax and bureaucratic environment, business ethics and legislation, in addition is the higher level of corruption. Although the authorities declare the desire to increase the integrity of the political and economic environment, business representatives, involved in the survey "Business Integrity Assessment" (2012), more noted only the fight against salaries under the covers (baltojibanga.lt 2012). As mentioned Rūta Skyrienė, council chairman of the "Baltoji banga", a state does not ensure the transparent, business-friendly political and economic environment. Honestly fee-paying enterprises find it difficult to compete with the outspread shadow business, tax avoiding enterprises and to participate in non-transparent public procurement (kauno.diena.lt 2012). Almost half (43%) survey "Business Integrity Assessment" participants stated they faced with possible cases of

Vast majority of Lithuanians believe that corruption is a major problem in the country. 83% Lithuanians and 67% Europeans accept that corruption is an element of business culture in Lithuania (European Commission 2012). The lack of integrity in business and other institutions still defies solution in the country. This remains one of the main causes of corruption. Society becomes more aware and more knowledgeable about the problem, there grows a need for enterprises to avoid problems that impact their business. As the UN Global Compact's 10th Principle states "businesses should work against corruption in all its forms, including extortion and bribery" (UN Global Compact 2009). Enterprises in

corruption. 21% survey participants felt pressure from public servants for services rendered, 16% felt pressure regarding participation in tenders and public procurement and another 16% – from public servants regarding favorable decisions for business. According to the Global Corruption Barometer 2013, the biggest survey tracking world-wide public opinion on corruption, over the past two years the level of corruption in Lithuania increased (Transparency International 2013) (Fig. 2).

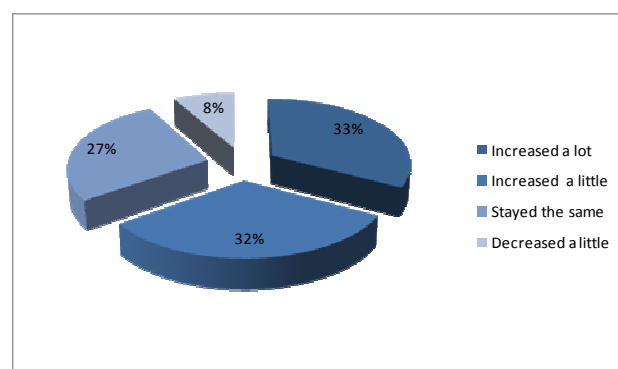


Fig. 2. The changes of corruption level in Lithuania according respondents, in percent (adapted from Transparency International 2013)

As the Global Corruption Barometer 2013 has shown, the majority of Lithuanians believe that parliament/legislature, judiciary, political parties, medical and health services, public officials and civil servant, police and business are the most corrupt institutions in the country (Transparency International 2013) (Fig. 3).

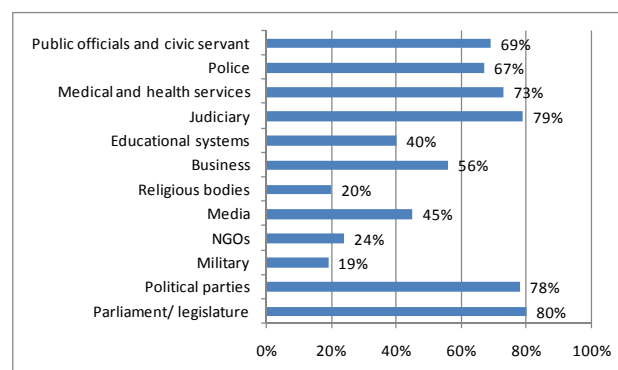


Fig. 3. Percentage respondents who felt these institutions were corrupt/ extremely corrupt in Lithuania (adapted from Transparency International 2013)

Lithuania need to work with other businesses, government, local communities, and civil society organizations for increasing the environment for business integrity.

The importance of corporate social responsibility for enhancing business integrity

In the time of globalization, being socially responsible businesses is much more important than ever before. Society's expectations have exchanged, the expectations of customers, partners and employees have altered as well. The enterprises are no longer able to conduct

destructive and unethical business practices such as without receiving negative response from the society. In order to retain in the global market, the importance of conducting socially responsible business practice has become necessary demand from society, other enterprises and governments in general. According to Juščius and Snieška (2008), “the company’s values must be adequate to the attitudes towards values which dominate in the society”.

Whetten et al. (2002) defined CSR as “societal expectations of corporate behaviour; a behaviour that is alleged by a stakeholder to be expected by society or morally required and is therefore justifiably demanded of a business”. With reference to the European Commission’s definition (2011) corporate social responsibility is “the responsibility of enterprises for their impacts on society”. Respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility... (European Commission, 2011). International Organization of Standardization (2013) defines social responsibility as responsibility of an organization for the impact of its decisions and activities on society and the environment that contributes to sustainable development, including health and the welfare, takes into account the expectations of stakeholders, is integrated throughout the organization and practiced in its relationship, is in compliance with law and consistent with international norms of behaviour through transparent and ethical behaviour. All these definitions integrate the main principles of CSR: accountability, transparency, ethical behaviour, consideration for all stakeholders, legality, respect for international standards and human rights (Fig. 4). Compliance with all these principles in the activities and policies of enterprises leads for ensuring business integrity.

As Christache et al. (2012) maintained that CSR integration into business values improves the integrity of the organization, its business approach and also builds a capital for managing future crises. “The success of company according to the Corporate Social Responsibility perspective is moral and ethical principles for getting the best results, without harming other communities. The integrity of company toward environment and society and stakeholders through social responsibility as the result of company commitment does not only focus on financial profit but also develop their

unfair labour practices or environmental pollution social responsibility in holistic aspect, organization, and long term sustainability” (Vidiananda and Saraswati 2013).

The economic crisis and its social consequences have to some extent damaged levels of trust in business, and have focused public attention on the social and ethical performance of companies. Corporate social responsibility offers a set of values on which would be built more transparency business environment, on which is based the transition to a sustainable economic system. Transparent and thorough engagement with stakeholders is a necessity for sustainable development outcomes for business and society.

According Bernatonytė and Simanavičienė (2008), “currently in Lithuania as well as in whole Europe expansion of socially responsible business ideas is getting stronger. In our country business orientation to activity which results are pointed not only to profit gain but also to interested actors’ needs and the dimensions as human rights, environmental consideration, social solidarity and cohesion is getting more and more important”. Socially responsible Lithuanian companies in relationship with stakeholders focus on anti-discrimination, transparent business and human rights policies (Kontautienė 2011). The development of corporate social responsibility can help to increase business integrity in the country, but the process of integration of CSR principles and practices into activities of Lithuanian business is still going slowly. For more well-run development of CSR as a contributor of business integrity need the awareness and the competence of all stakeholders.

Conclusions

The integrity as process of continuous ethical awareness of organization is strongly related to its performance. The presence of integrity in business contributes to the improvement of organizational effectiveness, the enhancing good reputation of enterprise, the increasing loyalty and motivation of employees, the creation ethical environment, the building strong relationship with stakeholders, the fostering creativity and innovation, the minimizing trading costs and the enlarging market shares. Acting with integrity determines the sustainable business development and the enhancing competitiveness in local and global markets.

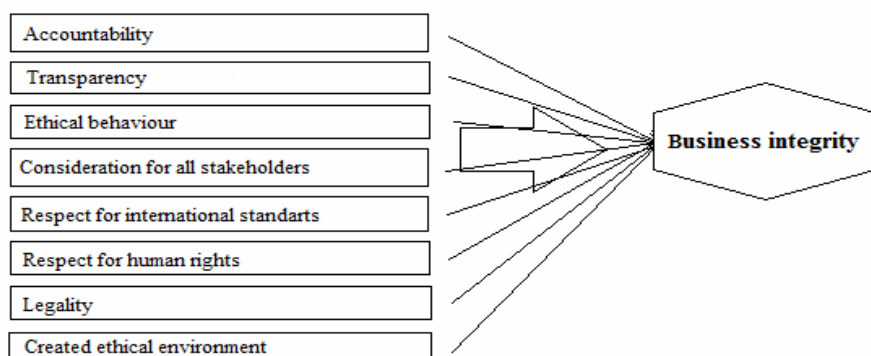


Fig. 4. The main principles of CSR

The environment for business integrity is not very favourable in Lithuania. The lack of integrity in business and other institutions, the insufficient attention and actions of authorities to ensure the transparent, business – friendly political and economic environment, the non-transparent public procurements and outspread of shadow business are the causes of high level of corruption in the country. According to public opinion, the level of corruption is growing in Lithuania. It remains a big problem in the country. And also adversely influence competitiveness and grow of Lithuanian business.

Society is more and more wonders about how businesses really behave and how much responsible they are for their actions. The destructive and unethical business practice is not tolerated by society in nowadays. The competitiveness of enterprises strongly depends on the attitude to society's values. Corporate social responsibility defined as responsibility of enterprises for their impact on society. CSR requires the following of principles of accountability, legality, transparency, ethical behaviour, respect for international standards and human rights, consideration for all stakeholders and creation of ethical environment. Corporate social responsibility offers a set of values for enhancing integrity in business. The more active implementation of CSR principles and practices can help increase business integrity and enhance competitiveness of enterprises in Lithuania.

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ĮMONIŲ SOCIALINĖS ATSAKOMYBĖS ĮTAKA VERSLO SKAIDRUMUI LIETUVOJE

S a n t r a u k a

Su besikeičiančia ekonomine ir politine aplinka kinta ir verslo įmonių vaidmuo. Verslo veikla – tai ilgalaikis pokyčių procesas, parodantis jų gebėjimą reaguoti į visuomenės poreikius. Verslas yra neatsiejama visuomenės dalis, todėl turėtų ne tik paisyti jos interesų, bet ir aktyviai juos puoselėti. Gebėjimas reaguoti į visuomenės poreikius, t.y. skaidraus verslo praktika bei atsakingumas visuomenei, o ne vien tik gryno ekonominio pelno tikslo siekimas sprendimų priėmimo procese, užtikrina įmonių konkurencingumą. Įmonių socialinė atsakomybė siūlo vertybes, kurios sąlygoja skaidresnės verslo aplinkos kūrimą. Įmonių socialinės atsakomybės principų įgyvendinimas skatina įmones priimti papildomų išpareigojimų verslo praktikos gerinimui ir aktyviam dalyvavimui socialiniame dialoge siekiant patenkinti visų suinteresuotųjų šalių ir visuomenės lūkesčius. Įmonių socialinės atsakomybės plėtra skatina verslą prisidėti prie darnaus visuomenės vystymosi, kas teigiamai įtakoja ir verslo skaidrumo bei konkurencingumo didinimą.

Tyrimo objektas – verslo skaidrumas.

Tyrimo tikslas – išanalizuoti įmonių socialinės atsakomybės įtaką verslo skaidrumo didinimui.

Tyrimo uždaviniai:

1. išnagrinėti skaidrumą kaip strateginį konkurencingumo veiksnį.
2. ištirti verslo skaidrumo aplinką Lietuvoje;
3. išnagrinėti įmonių socialinės atsakomybės reikšmę verslo skaidrumo didinimui.

Tyrimo metodai – mokslinės literatūros sisteminė, loginė ir lyginamoji analizė bei sintezė.

Pagrindiniai tyrimo rezultatai. Analizuodami skaidrumo dimensijas, straipsnio autoriai nustatė, kad globalioje ekonomikoje skaidrumas dažniausiai suvokiamas kaip besitęsiantis įmonių etinio sąmoningumo procesas, glaudžiai susijęs su jų veikla. Skaidraus verslo praktika sąlygoja įmonių veiklos efektyvumo didėjimą, įmonių reputacijos gerėjimą bei darbuotojų lojalumo ir motyvacijos didėjimą, padeda kurti etišką verslo aplinką. Tuo pačiu skaidraus verslo vystymas padeda išlaikyti tvirtus santykius su suinteresuotosiomis šalimis, minimizuoti prekybos išlaidas ir išplėsti rinkos dalis. Sąžininga ir skaidri įmonių veikla užtikrina tvaraus verslo plėtrą bei konkurencingumą. Aplinka skaidrio verslo plėtrai Lietuvoje nėra pakankamai palanki. Skaidrumo ir sąžiningumo stoka versle bei kitų institucijų veikloje, nepakankamas vyriausybės dėmesys palankios, verslui draugiškos aplinkos kūrimui, nesąžiningi viešieji pirkimai bei šešėlinio verslo išplitimas - pagrindinės korupcijos plėtros šalyje priežastys. Ilgalaikėje perspektyvoje socialiai neatsakingas verslas neturi ateities – socialinė atsakomybė padeda verslui valdyti riziką, optimizuoti sąnaudas, patiekti geresnius produktus rinkai ir tuo pačiu daro teigiamą įtaką veiklos rezultatams, suteikia konkurencinį pranašumą tarp kitų rinkos dalyvių. Augant visuomenės sąmoningumui, socialinė atsakomybė versle kuria visuomenės pasitikėjimą, didina įmonių skaidrumą ir konkurencingumą rinkoje.

REIKŠMINIAI ŽODŽIAI: Lietuva, darnus verslas, įmonių socialinė atsakomybė, skaidrumas, korupcija, konkurencingumas.

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