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Chapter 1

Introductory Chapter: The Level of Management Culture Development When Aiming for Implementation of Corporate Social Responsibility

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1. The relevance of the study

Corporate social responsibility in recent decades, a priori, is seen as an important progressive business evolution vector. The initial idea that began a heated debate to compensate market imperfections is evolving in social stability and harmony; favorable environment creation trajectory to the existence of society and development becomes an integral part of the corporate culture management and strategy. Particular attention to these processes is paid in the European Community countries in the formulation of sustainable development goals of the social environment, but leaving a vast field of creative performance and initiatives. However, the concept formed in the last century remains the key challenge for business organizations and the public. Developing corporate social responsibility processes demonstrates not only the qualitatively growing requirements of customers, business partners, state authorities, wide sections of society, active participation and influence in the construction of the social environment but also the growing business organization flexibility while responding to changes. However, corporate social responsibility is an evolving concept, which is influenced by differences in social, cultural, political and economic environment in which businesses are created and operated. Globalization and business internationalization processes require even greater flexibility and insight. These requirements become especially apparent in Central and Eastern European societies where natural social and business processes were interrupted for several decades, and corporate social responsibility evolving from these relations is still developing. For example, the first Lithuanian companies that joined the United Nations Global Compact [1] network count only a decade, the search for sustainability is slow and complicated, despite the rapidly increasing economic efficiency and international competitiveness. Nevertheless,
these processes only emphasize the variety of goals for corporate social responsibility concept development and complexity and give a good opportunity one more time to examine anew the conditions in which the trajectories of corporate relationships with stakeholders are changing and the management culture of those companies is developing.

It has to be admitted that although more and more businesses join the national and international socially responsible corporate networks, a corporate social responsibility statement (a public declaration) does not mean social responsibility per se. It can be stated that scientific research intended for the development of corporate social responsibility and processes is particularly important in order to understand the stimuli of this development, its benefits and prospects. Various studies show that this movement was formed as business reaction and response to the society requirements that became mature in historical civilization development processes. The society is more sensitive and demanding when evaluating the issues such as discrimination, exploitation, product safety, healthy and clean environment, global warming and others. Expectations and reactions of subjects interested to behavior of companies stimulate them to be socially responsible not only in own countries but also in foreign countries in which they are operating. These processes are relevant for opening new branches abroad and encourage to choose partners in a more responsible way in those countries, which are attractive because of cheap, often illegal and exploited labor force. That is why, while shifting social responsibility values and principles, corporate social responsibility is acquiring a more global image. It is significant that corporate social responsibility inspired by the impact of processes taking place in societies is developing in the contexts of multifaceted business strategies. Therefore, there remain relevant debates not only on what economic benefits corporate social responsibility gives to the companies themselves, when the statements about social responsibility are only fiction or a marketing element, what stakeholders have to be chosen and how to develop relations with them, but also what are the conditions of the process for becoming a socially responsible company.

In scientific literature, the content of corporate social responsibility is widely analyzed and discussed, and this discourse highlights the cultural development process. The organization is a single socio-cultural body. Culture permeates the entire organization-employee relations, manager’s relations with employees, communication, organization and so on. However, one can miss a more detailed analysis of factors empowering the process of cultural development, i.e. the initial conditions under which the organization could be ready to incorporate sustainable corporate social responsibility in its strategy by active managerial actions, as well as evaluation of these conditions and design of solutions. Therefore, in the cultural context, we highlighted organizations’ management culture, which is an integral part of organizational culture. Management culture plays an instrumental-functional role. It is a certain managerial art which accumulates in itself management skills, the ability to organize processes, to create a working environment, etc., which together help to create the sense of identity with the organization, to maintain good organizational climate at a cultural level and to increase the sustainability of the organization when solving emerging crises and seeking the progressive development towards the selected direction. Diagnostics and analysis of the level of development of management culture as an instrument can serve for more successful corporate social responsibility implementation into practice, since management culture can be regarded as a methodological basis for the systematic implementation of corporate social responsibility.
Management culture is closely associated with corporate social responsibility, which will continue to be argued in this book by both theoretical research and empirical research. Nevertheless, still insufficient attention is given to the analysis of management culture and its links with corporate social responsibility in Lithuania, where the study is conducted, and internationally as well. The enthusiasm for the implementation of corporate social responsibility can be identified as a challenge to cultural traditions that arose in organizations, which requires changes in thinking of both managerial staff and employees as well as changes in the organization’s management culture. For example, in Lithuania, the international standards ISO 9001 and ISO 14001 [2], which require a substantial change in the organization’s attitude towards management, have gained maximum popularity in recent years. However, the implementation of one or another standard requires assessment of the situation in a particular organization: how much the prevailing management culture is developed, if it is consistent with the principles of corporate social responsibility and what its relevant changes are. These management quality standards should be used when implementing ISO 26000 [3] (guidance on social responsibility) and should define social responsibility guidelines. It is recognized that even in the developed countries, both the public and the companies are in favor of corporate social responsibility values, but their implementation in practice not always is smooth and sometimes it is even complicated. It is not surprising that there are even greater challenges in developing countries. A search for social harmony is a challenge for developing economies that have been evolving in free market conditions since the last decade of the last century, which, in response to the global market processes, cause additional difficulties. The incorporated models that were designed in other sociocultural environments, including corporate social responsibility, do not operate as successfully as one might expect: this is shown by the situation in Lithuania and the neighboring countries where social responsibility development is very slow, and some companies that linked social responsibility policy to marketing and expected quick economic success are disappointed.

Slow regional corporate social responsibility development is displayed by the changes of the United Nations Global Compact [1] network data in the associated countries. For example, while discussing the Baltic countries region, in the beginning of 2014 this network included a total number of 86 organizations in Lithuania, 11 in Latvia and 5 Estonian companies, and in a year, this ratio changed negatively. The network includes the organizations that are committed to follow the 10 principles of corporate social responsibility formulated by the United Nations Global Compact, but slow presentation of reports speaks about a superficial approach to corporate social responsibility values.

Social responsibility development in organizations in the region has not acquired greater speed, which can be explained by the maturity trends of the public and the organizations themselves. Although the organizations gain social responsibility certifying standards, this in itself does not guarantee high levels of activity standards that are related to the internal perception of social responsibility and decisions dictated by values.

Several trends have been noticed in the research. Private capital companies most often get into the horizon of the researchers, the attention is focused on the activities that are aggressive to the environment, as well as on the problems of profit increase, product security and human rights. Although the ideas of social environment sustainability and social responsibility first
evolved as a reaction to industrial and economic factors, social responsibility is not less important for public sector, too, i.e. state and municipal companies, public institutions, budgetary organizations and others.

Empirical studies in Lithuania, as well as in the region are slow. They are quite narrow by nature, and the results are not very promising when expecting faster corporate social responsibility development. Theoretical scientific literature studies are often performed as well as the analysis of the content of organizational reports (annual, on websites, etc.). There is lack of broader empirical research on corporate social responsibility. In addition, traditionally, the companies that have declared the status of corporate social responsibility are analyzed rather than those seeking to become such organizations. Even more rare are the studies on corporate social responsibility and cultural links of the organization, and the role of management culture development for preparation of the companies to become socially responsible is a new field of research. The question of how much the organizations are actually prepared to live according to all the requirements raised for corporate social responsibility is fairly sensitive and is an integral part of the management culture development level.

This scientific monograph developed by the authors differs from other studies and publications by the fact that there is an active attempt to develop the concept of management culture in relation to corporate social responsibility implementation process. As the study is done by Lithuanian organizations operating in the region, a lot of attention is focused on the analysis of the situation in Lithuania and neighboring countries; the studies performed by the authors of these countries are analyzed. The results of this study are important not only in Lithuania but also in neighboring countries in the region, dealing with sensitive issues of corporate social responsibility implementation and development.

2. The research problem and level of its exploration

The research problem: what should be the level of management culture development aiming for corporate social responsibility and how, having determined it, to prepare for the implementation of corporate social responsibility.

The term of management culture in the works of Lithuanian [4–6] and foreign [7–13] authors is found quite rarely, but the organizational culture studies where management culture or its individual components are indirectly examined are found in the works of these authors: [14–22] and others. For the proper implementation of corporate social responsibility, in the context of this study, an especially important role is given to decision-making. In the general sense, there is a significant amount of scientific sources analyzing the solutions, but the managerial decisions in many cases are touched upon indirectly [23–28]. There are not many authors directly analyzing management solutions in relation with the management culture [7], social responsibility [29–33].

Lithuanian scientists explore corporate social responsibility in various aspects. Adomavičiūtė et al. [34] examine social entrepreneurship in non-governmental organizations, Astromskienė
and Adamoniene [35] present the factors influencing corporate social responsibility initiatives and Augustinienė and Abromaitienė [36] examine the expression of social responsibility in the context of expectations of future social pedagogues. Bagdonienė and Paulavičienė [37] present the connections of corporate social responsibility and management system, and Banytė et al. [38] discuss green marketing expression when the concept of corporate social responsibility is discussed. Butkevičienė [39] analyzes public attitudes on social policy through the prism of the state, the individual and the family, forming social welfare in the Lithuanian state. Čepinskis and Sakalauskaitė [40] provide the operational analysis of socially responsible companies in Lithuania and assess corporate social responsibility changes in the conditions of economic crisis and its impact on companies’ performance indicators. Česynienė et al. [41], while analyzing social responsibility with respect to the employees, state that application of social responsibility initiatives in relation to the employees in Lithuanian private and public sector organizations faces a growing gap between the objective needs and subjective non-recognition. The authors discuss the aforementioned gap between Lithuanian private and public sector organizations analyzing the state of social responsibility initiatives implementation with respect to the employees, the obstacles and the potential impact on human activity indicators. Čiegis and Norkutė [42] examine corporate social responsibility and sustainable development concepts and assess banking practices in these areas in Lithuania. Dagiliene [43] establishes the social information level disclosure in annual reports of Lithuanian companies. Dagilienė and Bruneckiienė [44] deal with the connections of voluntarily disclosed information with corporate social responsibility, and assess the level of social information disclosure in financial reports of a specific company and on a website. Gžišienė et al. [45] clarify the role of the state in the process of social responsibility in connection with the knowledge economy. Guogis [46] provides analytical materials in his article related to the state welfare creation and its current ‘retreat’ problems. Guitavičius and Bruneckiienė [47] investigate social responsibility interests by providing asymmetric information. Jasinskas and Simanavičienė [48] assess the corporate social responsibility in relation with genetically modified products. These are only some of the studies by Lithuanian scientists demonstrating a wide range of corporate social responsibility problems.

A number of foreign researchers [49–61] and Lithuanian scientists [5, 40, 62–84], analyzing corporate social responsibility, indicate the relevance of these themes in both scientific and practical terms. However, only a few studies conducted in Lithuania [85, 86] focus on the connections of organizational culture and corporate social responsibility. It should be emphasized that the organizations that have declared the status of corporate social responsibility are mostly analyzed, but the phase of the company’s readiness to become socially responsible is still not analyzed in scientific works. So, there still is a relevant research gap of management culture expression, aiming to implement corporate social responsibility, which should be filled.

3. The research object, aim and objectives

Research object: The level of management culture development when aiming for implementation of corporate social responsibility.
Research aim: To determine the level of management culture development and create the model of management culture level determination when aiming for implementation of social responsibility.

In order to achieve the aim set, the following objectives have to be accomplished:

1. Having analyzed management culture content from a theoretical point of view, to develop management culture assessment criteria.

2. Having analyzed corporate social responsibility problems from a theoretical aspect, to develop corporate social responsibility assessment criteria.

3. Having developed management culture and corporate social responsibility assessment criteria, to substantiate management culture as a factor conditioning corporate social responsibility.

4. Having formed management culture development level instruments aiming to implement corporate social responsibility, to set up management culture level determination model.

5. Having studied practical application of management culture level determination model, to formulate and present management decisions for corporate social responsibility implementation.

The monograph discusses the following problematic questions: What is the role of management culture aiming to implement corporate social responsibility? What kind of management culture development level should be there to consider the organization ready to pursue the implementation of corporate social responsibility? What should be management culture expression, as the formal and informal part of organizational culture, in order to implement corporate social responsibility with respect to employees? What is management culture expression, as the formal part of organizational culture, aiming to implement corporate social responsibility with respect to top-level managers? What managerial solutions could help to raise management culture level, aiming to prepare for the implementation of corporate social responsibility?

4. Research methods

Having analyzed the scientific literature, a complex conceptual model for determining management culture level and describing corporate social responsibility formation was constructed. For quantitative research, a universal questionnaire was created determining the state of expression of management culture as the formal and informal part of the organizational culture in the organization, as well as preparation of companies to aim for social responsibility. For qualitative research, interview questions were formulated enabling the determination of the expression of management culture as a formal part of organizational culture aiming for corporate social responsibility with respect to top-level managers. Quantitative and qualitative research instruments were verified by carrying out expert assessments.
Quantitative studies were performed by using Microsoft Excel and SPSS 20 software. The data were put into matrices and statistical methods such as correlation and multidimensional statistical methods such as multivariate regression were used to process them. To compare means of two independent samples, a Student test ($t$-test) was used, and to compare three or more independent groups, mentioning a specific group, one-way ANOVA including Tukey’s HSD (honest significant difference) test amendment was used. The methodological quality characteristics of the questionnaire were revealed by using Cronbach alpha coefficient, Spearman-Brown coefficient; factor dissemination was explained by using the minimum factorial weight (L), item total correlation ($r_{itt}$), principal components and alpha factoring methods.

A qualitative study was carried out by encoding text elements (statements), dividing them into units, grouping the coded units, distributing and connecting them into new formations, analyzing and comparing the latter. Calculations for qualitative research were used only when doing some work related to the analysis.

The studies tested the methodological attitudes of management culture level determination and corporate social responsibility formation model.

5. The research limitations

The monograph analyses corporate social responsibility only with respect to management culture which represents both the formal and informal parts of organizational culture and how much this could be significant to organizational changes. Management culture and social responsibility analysis are grounded on the value aspects as the base, and thus are not expanded specifically in detailing of, e.g., environmental, philanthropic and other aspects. The work was based on management culture paradigm formulated by Zakarevičius [4].

The study is limited to organizations which declared the ambition to become socially responsible only within the organization, but they have not yet claimed this ambition to be their aim to be realized. Therefore, it is important to determine management culture level which, after being diagnosed, could then lead to the realizable stage design in the organizations, which could be the subject for further research. Two groups of companies were chosen for comparison purposes (employees from 12 companies took part in the survey). Balance between academic society and business practitioners’ audiences was sought with the help of the text structure and style.

6. Theoretical and practical significance of the accomplished research

Theoretical significance of the accomplished research:

- Scientific literature and research on management culture and corporate social responsibility issues were systemized.
- Management culture and corporate social responsibility assessment criteria were identified.
• Management culture as the factor determining corporate social responsibility was grounded.
• According to scientific sources and empirical studies, the importance of cultural management for organizations was grounded aiming to implement corporate social responsibility.
• Management culture determination model aiming to implement corporate social responsibility was formed.
• A versatile instrument for quantitative research was formed revealing the management culture as the formal and informal part of organizational culture.
• An instrument for qualitative research was formed revealing the management culture as a formal part of organizational culture.
• Managerial decisions model of management culture development level, aiming to implement corporate social responsibility, was formed.

Practical significance of the accomplished research:
• Management culture and corporate social responsibility measurements show close connection between them.
• The created instruments will help the organizations to identify strong and weak positions of management culture and corporate social responsibility.
• The results of the carried out empirical studies allow assessing of the level of management culture in the organizations and characteristics for readiness to become socially responsible.
• The formulated management culture level determination model will help the heads of the organizations to determine the status of the management culture in the organizations.
• The formulated managerial solutions will help to prepare properly for the implementation of corporate social responsibility.

7. Directions for further research

The authors of this monograph provide the following directions for further research:

The marketing benefit of corporate social responsibility is often emphasized, but lack of long-term studies and calculations in the context of Lithuanian organizations remains a significant scientific problem. In addition, in future research, the influence of management staff social capital development on corporate social responsibility should be evaluated and methodological corporate social responsibility assessment, as well as development guidelines for state capital companies and other public sector organizations should be prepared.

Although more emphasis is given to legal aspects, greater emphasis on ethics and philanthropy would broaden public discourse. In the accomplished research, the focus is often on certain areas of economic activity, but not including the national economy, and considering
the fact that the organizations do not always communicate their socially responsible activities, even based on the content analysis, the image of corporate social responsibility remains quite fragmented and incomplete.

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