

## Perceived Corporate Social Responsibility and its Implementation in Practice: The Case of Lithuanian Small and Medium-Sized Enterprises

Laura Salciuviene<sup>1</sup>, Rimante Hopeniene<sup>2</sup>, Aiste Dovaliene<sup>2</sup>

<sup>1</sup>Lancaster University Management School Lancaster

LA1 4YX, United Kingdom

E-mail. l.salciuviene@lancaster.ac.uk

<sup>2</sup>Kaunas University of Technology

Gedimino st. 50, 44239, Kaunas, Lithuania

E-mail. rimante.hopeniene@ktu.lt, aiste.dovaliene@ktu.lt

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*Recent reports in media and research findings in the scientific literature suggest the growing importance of corporate social responsibility among practitioners, especially in the case of small and medium-sized enterprises that are characterised by limited resources required to adequately compete in the fast changing macro-environment. Previous research still lacks clarity about perceived corporate social responsibility, its strengths and challenges that small and medium-sized enterprises face when implementing such policies in practice. Our study aims to identify perceived corporate social responsibility initiatives among Lithuanian small and medium-sized enterprises. The contribution of our study manifests itself in developing a theoretical model based on qualitative semi-structured interviews and suggests corporate social responsibility initiatives that both encourage and prevent their implementation by small and medium-sized enterprises.*

**Keywords:** *Corporate Social Responsibility; Sustainable Consumption, Socially Responsible Small And Medium-Sized Enterprise, Lithuania.*

### Introduction

Corporate social responsibility has become one of the key strategic objectives for companies and an important field of enquiry among academics. Following the Green Paper definition, corporate social responsibility is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Commission of the European Communities, 2001, p. 6). Stakeholders are groups of individuals or separate individuals who influence or are affected by activities of a company (Freeman, 1984). By creating social and environment-related value to stakeholders, those companies can gain competitive advantage over other firms, achieve their objectives and gain profit (Maon *et al.*, 2009). The literature points out that companies might only be accountable to definable agents (Maignan & Ferrell, 2005) who are labelled as stakeholders (Freeman, 1984), but companies willing to implement a corporate social responsibility strategy should take into account the needs of the society in general.

The focus of previous research has been on defining a concept of corporate social responsibility and researching its dimensions (e.g., Baden *et al.*, 2011; von Weltzien & Shankar, 2011; Bernatonyte *et al.*, 2009; Cesnyiene & Neverkevicius, 2009; Jamali *et al.*, 2009; Cornelius *et al.*, 2008; Juscius, 2007; Ruzevicius & Serafinas, 2007), investigating employee involvement in corporate social

responsibility (e.g., Perrini *et al.*, 2007) and their satisfaction (e.g., Davies & Crane, 2010), establishing a link between financial achievements and value creation (Husted & Allen, 2009) and identifying consequences of corporate social responsibility (Dibrell *et al.*, 2011; Gugler and Shi, 2009; Jenkins, 2009, Murillo & Lozano, 2006).

Businesses have also acknowledged that caring for people and planet is as important as achieving economic objectives and that corporate social responsibility does not diminish the value of the company to its shareholders, but increases it (Paul *et al.*, 2011; Manescu & Starica 2010). The literature suggests that corporate social responsibility saves resources and energy and that money could be invested elsewhere; also, it offers economic benefits (e.g., profitability) since companies practising corporate social responsibility receive financially viable offers from economically strong organisations (Jo & Harjoto 2011); Companies that integrate corporate social responsibility principles into their day-to-day business activities attract competent employees who can ensure product and service quality to customers resulting in consumer satisfaction and loyalty (Bagdoniene & Paulaviciene, 2010; Kreng & Huang, 2011; Salmones & Basque, 2011; Abbasi & Moezzi, 2012). Those companies not only benefit from reduced turnover and increased productivity of their employees, but also from the company’s reputation among its consumers as corporate social responsibility activities contribute positively to the company’s image (Kreng & Huang, 2011; Salmones & Basque, 2011; Abbasi &

Moezzi, 2012). However, an integration of corporate social responsibility to the organisation's strategies poses a challenge to small and medium-sized enterprises as they usually have limited financial and human resources to pursue corporate social responsibility activities within and outside their companies.

The literature review shows that large multinational corporations are the focus of the majority of previous studies, therefore findings of those studies might not be applicable to the context of small and medium-sized enterprises (Preus & Perschke, 2010; Russo & Tencati, 2009). SME specificity requires different managerial implications for corporate social responsibility actions than those suggested to multinational corporations. For instance, small and medium-sized enterprises are characterised as having a more human management system (Fuller & Tian, 2006), flexibility to adapt (Pissarides, 1999) and focusing on philanthropic actions by their managers to achieve personal satisfaction (Jamali et al., 2009) rather than pursuing solely economic objectives (Baden et al., 2011; Sarbutts, 2003).

This research aims to identify perceived corporate social responsibility among Lithuanian small and medium-sized enterprises. It contributes to previous calls in the literature to add to the current body of knowledge on corporate social responsibility activities within small and medium-sized enterprises (e.g., von Weltzien & Shankar, 2011) and their business nature (Vazquez-Carrasco & Lopez-Perez, 2013). Our empirical findings form the basis for the theoretical model development and provide up-to-date insights into Lithuanian small and medium-sized enterprise corporate social responsibility.

## **Theoretical Background**

### *Triple Bottom Line Approach*

Triple bottom line thinking suggests that companies need to integrate social, economic and environmental elements into their businesses to address the needs of various groups of stakeholders. By carefully meeting the needs of key stakeholders, companies make a positive impact on people and planet and gain financial benefits from engaging in such activities. While some firms need to be challenged by non-profit organisations to become socially responsible, other companies naturally follow philanthropic priorities in their daily business activities without any short-term economic benefits to their company. Although prioritising environmental and social activities over economic benefits might be a difficult task to justify and integrate those philanthropic priorities to the company's strategy, firms that do so, enhance their reputation within their local communities (Rangan, Chase & Karim, 2012) and increase their economic benefits in the long-term.

In the book *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*, Elkington (1998) has questioned the role of businesses and offered a notion of addressing social (people) and environmental (planet) concerns raised by stakeholders in light of economic benefits gained by companies. Usually, firms consider customers and channel members (Maignan & Ferrell,

2004) or customers and employees (Berman et al., 1999) as key groups of stakeholders. Therefore, companies try to implement corporate social responsibility to maximize its impact on specific groups of stakeholders, while excluding interests of other groups of society (Maignan & Ferrell, 2005).

Miller & Lewis (1991) refer to two groups of stakeholders: internal (functional departments, employees) and interested external parties (competitors, advertising agencies and regulators); while Waddock et al. (2002) suggest differentiating between primary (employees, customers, suppliers, investors) and secondary (media, trade associations, non-governmental organisations) stakeholders. The key difference between the two groups of stakeholders refers to the involvement with the focal firm: the primary stakeholders are very important to the firm's existence, while secondary stakeholders are not involved in any transactions with the focal firm but might be as crucial for the firm's business success as the primary groups of stakeholders (Miller & Lewis, 1991; Waddock et al., 2002).

Needs from and expectations about the socially responsible behaviour of a company might vary among different groups of stakeholders (Harrison & Freeman, 1999). Some stakeholders join non-profit organisations (e.g., Greenpeace) and communities to exert stronger influence on companies to adopt corporate social responsibility; such formal organisations advocate those special groups of stakeholders about the different product or service-related issues, such as product safety, child labour, worker rights, discrimination (Maignan & Ferrell, 2005). The literature suggests that those formal organisations and stakeholder communities have power to challenge the companies to adopt socially responsible initiatives and behave ethically. Therefore, companies are more likely to implement corporate social responsibility in their businesses (Maignan & Ferrell, 2005).

According to White (2010, p.37), companies usually connect short- and long-term economic profit goals with their intentions to behave ethically. It is relatively easy for companies to calculate and assess if the bottom line is profitable or not. However, the environmental bottom line is perceived by companies less clearly, but pressure from society and consumer demands along with regulatory compliance provide motivation for companies to pay more attention to the planet bottom line. The final triple bottom line refers to people that companies might consider as an asset rather than an expense to the company as investing in people enhances employee satisfaction, fulfilment and results in reduced turnover. Adopting triple bottom line thinking approach is important for both smaller companies and multinational corporations (Elkington, 1988).

### *Corporate Social Responsibility*

The literature shows that socially responsible companies concentrate their efforts on activities that contribute to the production and other processes within the company guided by the principles of sustainable business (Khoo & Tan, 2002). Socially responsible companies take relevant actions to reduce the quantity of non-renewable resources along with the production of waste and energy

consumption and aim to use more renewable resources and manage the entire value creation chain sustainably (Nidumolu et al. 2009). Companies following corporate social responsibility strategies save non-renewable resources and initiate usage of renewable resources in their business activities not only to save the planet but also to achieve financial benefits for their company in terms of waste management cost reduction (Wan et al., 2015, Veleva et al., 2015). The sustainable use of resources and cleaner production is reflected in the company's social responsibility strategy aimed at a reduction of the negative impact on the environment through constantly improving the company's socially responsible activities, acquiring new environmentally-friendly technologies and complying with the environmental legislation (Nidumolu et al., 2009).

Although the concept of corporate social responsibility has been investigated in the literature, practitioners intending to apply the concept of corporate social responsibility in practice raise the key question: where to start? Companies require clearer guidance about actions, which should be taken and in what areas to successfully integrate corporate social responsibility principles into the daily activities of the company. What is even more important, companies need to consider the corporate social responsibility integration as a long-term strategic objective (Manescu & Starica, 2010). Therefore, both design and implementation of a corporate social responsibility strategy is considered as an important and enduring organisational change process with the goal of matching the needs of company and the dynamics within the social environment along with successfully identifying and managing stakeholders' expectations (Maon et al., 2009).

Previous research suggests that corporate social responsibility concept is applied to contexts of both multinational corporations and small and medium-sized enterprises which decide on the most suitable ways to implement corporate social responsibility strategies and obtain expected benefits. However, corporate social responsibility strategies tend to be less formal and carried out intuitively without any prescribed management systems or models among small and medium-sized enterprises.

The literature suggests three key phases that need to be considered by each company irrespective of its size or type of its business: a combination of economic, social and environmental decisions that would need to be integrated into an overall company's strategy and reflect interests of key stakeholders of that company (e.g., Elkington, 1988). Depending on the size of a company, a number of implementation phases of a corporate social responsibility strategy can differ. For instance, European Parliament (2013) recommends that the principles of transparency and anti-corruption should be accounted for when selecting suppliers and business partners and those choices would be made on the basis of their degree of sustainability. The behaviour of the supply chain members along with other primary company's stakeholders would positively contribute to the reliability and transparency of socially responsible actions of a company. Specifically, Boyd et al. (2007) proposes to aim to achieve supplier compliance to ensure suppliers' socially responsible actions.

Further, corporate social responsibility strategy should include social measures, such as professional training, work-personal life balance and decent working conditions (European Parliament, 2013). Employee experience, stability and qualifications also need to be taken into consideration by companies (ibid, 2013) and the essential part of corporate social responsibility strategy should focus on the professional development and lifelong learning programmes for employees, regular staff assessment and talent management programmes along with employee re-training to increase their motivation and commitment to the company's socially responsible activities (Ibid, 2013). According to Turker (2008), employees come to their workplace expecting to use their potential, to meet their needs and feel safe and confident. If a company creates relevant environment and working conditions to employees, their commitment to the company increases.

Socially responsible companies employ various motivation measures and use different ways to involve their employees in decision-making processes, providing opportunities for improvement. Employee champions ensure that employee knowledge, skills and competencies count towards the decision-making by the company and contribute to a successful implementation of a corporate social responsibility strategy (Garavan & McGuire, 2010). All those motivational measures positively affect the climate of the company, increase employee motivation and reduce employee turnover. On the contrary, inexperienced, unmotivated and uninvolved employees cause the incompatibility of functions between the corporate social responsibility and an overall strategy of the company (Pedersen, 2006). Therefore, many of corporate social responsibility initiatives might fail or simply become a marketing communications campaign (Sharma et al., 2009). Also, companies need to ensure equal conditions for people with disabilities to apply for jobs and hire people from local communities (European Parliament, 2013). For instance, it is important for companies to consider initiatives to create and maintain jobs for youth and women. The former can be achieved through creating a university graduate system to carry out practice and gain experience required by employers in the private sector.

Previous research indicates that companies implementing corporate social responsibility strategy need to communicate those achievements to their key stakeholders (Maignan & Ralston, 2002). Likewise, companies perceive information dissemination as one of key incentives for implementing corporate social responsibility-related activities in their businesses (European Parliament, 2013). Communication of corporate social responsibility achievements to key stakeholders can be improved by joining organisations or networks. Therefore, memberships in those organisations or networks are seen as one of the most effective means to disseminate information about socially responsible activities carried out by companies. For example, the main mission of *National Socially Responsible Business Network* includes the growth of responsible business in Lithuania with a focus on the sustainability development. Memberships also act as a strong incentive to other firms to follow socially responsible actions implemented by the leader-firm in industry.

Memberships also offer awards and therefore incentivise companies to implement corporate social responsibility in their daily business. For instance, National Socially Responsible Business Network award can be considered as one of the main incentives contributing to the promotion of corporate social responsibility in Lithuania. This award increases awareness of corporate social responsibility benefits to businesses and promotes examples of good practice along with a positive corporate social responsibility image among stakeholders.

To ensure a successful implementation of a social responsibility strategy, companies aim to develop and maintain a relevant communication system with its stakeholders (Panapanaan *et al.*, 2003). For example, companies use public relations to reach their key stakeholders through their websites (Maignan & Ralston, 2002) and social responsibility reports. Such reports tend to be rather effective as they not only ensure the flow of information from the company to external stakeholders, but also help to improve an internal control system and can positively contribute to the company's image because of an easy access of the reports by investors and customers (Turker, 2008). Also, companies attempt to engage their stakeholders to join corporate social responsibility activities (Maignan & Ferrell, 2005). Such stakeholder engagement with the company's corporate social responsibility activities strengthens customer loyalty and employee commitment to the company (e.g. Brown & Dacin, 1997) because it enables companies to bond with their key stakeholder groups offering both parties to contribute to solving environment and society-related issues (Dawkins & Lewis, 2003).

### *Research Questions*

Based on the above corporate social responsibility literature review, we raise two research questions. They are as follows:

*RQ1: What are the origins of the philanthropic activities among small and medium-sized enterprises?*

*RQ2: How do small and medium-sized enterprise managers perceive implementation of corporate social responsibility?*

This study aims to provide answers to the above research questions.

### **Research Design**

#### *Choice of the Size of a Company: Small and Medium-Sized Enterprises*

There are specific laws classifying companies in Lithuania according to the number of employees working for a company. Small and medium-sized enterprises were chosen over multinational corporations and other foreign-investment companies in Lithuania due to their specifics, that is, their flexibility to adapt to difficult conditions due to the changes in the marketing environment, but experiencing managerial and financial constraints. Small and medium-sized enterprises "are the ones most likely to move into areas of comparative advantage and high value added, though they often face economic, institutional, and

legal obstacles. Obstacles include limited access to working capital and long-term credit, legal and regulatory restrictions, inadequate infrastructure, high transaction costs, and limited managerial and technical expertise" (Pissarides, 1999, p.520). High levels of taxes, insufficient access to credits and frequently changing regulatory environment presents difficulties to small firm owners as they find it hard to follow up with rapid changes in the macro-environment in Lithuania. Also, small and medium-sized enterprises face a challenge in filling vacancies with competent employees, negatively influencing small and medium-sized enterprise business performance in the fast changing and competitive market (Pissarides, 1999).

Since implementation of corporate social responsibility actions is a complex task, it requires financial and human resources to ensure a successful implementation of such activities. Since multinational corporations allocate adequate financial resources to corporate social responsibility, our study focuses on small and medium-sized enterprises that have limited financial capabilities to hire competent staff to adequately manage corporate social responsibility strategy and perform socially responsible actions outside the company. Usually, social responsibility is considered as a part of marketing communications rather than a part of a small and medium-sized enterprise corporate strategy preventing small and medium-sized enterprises from identifying key stakeholder groups and adequately satisfying their needs. Due to the above reasons, small and medium-sized enterprises were deemed to be suitable to achieve the aim of our study.

### *Sample*

Three small and medium-sized enterprises comprised a sample for the empirical study. Small sample sizes are usual in social science research and have been previously used in similar type of research, where the outcome of the study manifests itself in a theoretical model being developed from empirical findings collected using qualitative primary data collection methods (e.g., de Mattos *et al.*, 2013).

The content analysis of secondary data was conducted to identify small and medium-sized enterprises that claimed to perform corporate social responsibility-related activities in their companies and communicating with their stakeholders to raise awareness about such activities and their positive impact on society.

A small and medium-sized enterprise "A" became an ecologically-oriented company since it has been established. It produces energy with renewable sources (water and wind) using the newest technologies. This small and medium-sized enterprise aims to contribute to Kyoto Protocol – joint implementation project – aiming to reduce the "greenhouse" gas emissions in the atmosphere. It was rewarded for being a socially responsible small and medium-sized enterprise due to its contributions to foster sustainable business and educating young people about sustainability along with efforts to produce green energy.

A small and medium-sized enterprise "B" is the only small and medium-sized enterprise producing biotechnological equipment for industrial sewage treatment management. It also produces biotechnological equipment

for sewage treatment for small towns to up to 50 000 people. The small and medium-sized enterprise regularly receives awards for its achievements in promoting sustainable business and offering environmentally friendly products to their customers in both B2B and B2C markets.

A small and medium-sized enterprise “C” is a leader in the Baltic countries in geographical information system services. It is also one of the largest companies of geographical information system installation service companies in Central and Eastern Europe. It specialises in production and installation of geographical information systems for public and private companies in engineering, transport, mapping and environment-related areas. The small and medium-sized enterprise is also active in creating various projects to be used by local communities. For instance, an interesting project “Report about the damages to our environment” was offered to Lithuanian citizens who can use their product to report about waste or other damages to the forests from anywhere in the country.

The selected companies were contacted and an enquiry was made to identify the most suitable interviewees to take part in the study. Since no formal position of a corporate social responsibility coordinator exists within the selected small and medium-sized enterprises, the following interviewees took part in the interviews within those three small and medium-sized enterprises: a managing director (“A”), a marketing manager (“C”) and a marketing communications manager (“B”). Those interviewees were chosen because they were deemed to be the most competent to answer the questions about the small and medium-sized enterprise activities related to socially responsible behaviour.

#### *Data Collection Method and Instrument*

After a careful assessment of suggestions by Aaker, Kumar, Leone & Day (2012) to be considered before making the final decision about the most suitable data collection method to answer research questions and develop a model, a semi-structured interview and secondary data sources (i.e. small and medium-sized enterprise websites) were deemed to best serve the purpose of the study compared to quantitative-based data collection methods (e.g., surveys) because of the following reasons: (a) the empirical study aims to develop a model based on the experiences of managers about their corporate social responsibility strategies implemented in small and medium-sized enterprises based in Lithuania and therefore detailed data collected from managers of small and medium-sized enterprises offers in-depth responses allowing to construct reasonable additions to the model while the study does not seek generalisability of the findings to all Lithuanian small and medium-sized enterprises and suggests three propositions to be further tested in subsequent studies; (b) given a careful administration of the entire interview process, greater accuracy and validity can be achieved because it offers greater comprehensiveness and richer information can be acquired through a directed conversation with interviewees (Schoenberger, 1991) because this data collection method also allows freedom to change the sequence of prepared questions and gives an opportunity to ask

additional questions aiming to obtain more detailed answers (Tidikis, 2003).

An instrument for data collection was self-developed and included a set of topics (i.e. social, economic and environmental) that were prepared in advance with open-ended questions to be answered by small and medium-sized enterprise interviewees. The questions were sent to the interviewees in advance giving them time to familiarise themselves with the interview topics. Each interview was recorded and took about one hour.

Secondary data content analysis was chosen to gain insights into current small and medium-sized enterprise responsibility-related activities. According to Miciulienė et al. (2005), content analysis of secondary data allows obtaining good quality data and drawing reliable conclusions to complement primary data.

#### *Data Analysis*

Both primary and secondary data were analysed using a content analysis by reading transcribed scripts and identifying common patterns across the answers from interviewees.

### **Results and Discussion**

Results of the study suggest that philanthropic orientation is deeply embedded among managers-interviewees of Lithuanian small and medium-sized enterprises along with a strong perception for a need of implementing corporate social responsibility in practice. Our findings advocate that the most common problems that managers-interviewees of Lithuanian small and medium-sized enterprises face are related with the implementation of corporate social responsibility due to the limited small and medium-sized enterprise resource capabilities, which impede a successful execution of corporate social responsibility-related activities in practice. However, managers-interviewees of Lithuanian small and medium-sized enterprises pointed out that such means as external recognition from industry associations and their customer expectations for a small and medium-sized enterprise to be a socially responsible company enhance their willingness to continue implementing those activities in their daily business activities. The main findings of the study are discussed below to provide answers to each research question. Based on the empirical findings the theoretical model is then offered after providing answers to all research questions.

#### *What are the Origins of the Philanthropic Activities Among Small and Medium-Sized Enterprises?*

To address the first research question (RQ1: What are the origins of the philanthropic activities among small and medium-sized enterprises?), findings suggest that the ecology-related business origins were the ‘essence’ of small and medium-sized enterprises from the very beginning of their establishment. According to Interviewee 1 (representing a small and medium-sized enterprise “C”), “[social responsibility] initiatives started naturally,

without aiming to follow current trends to become a socially responsible company“, implying philanthropic orientation originating from their founders. That is, following the definition of a corporate social responsibility in terms of both social and environmental priorities, the results suggest that representatives of small and medium-sized enterprises recognise that it is not sufficient to strive towards caring for the environment only when trying to behave in a responsible manner. Further, our data suggests that managers of small and medium-sized enterprises pursue philanthropic activities with a focus on social priorities along the environment-oriented initiatives to achieve a wider impact on social-environmental issues.

Since small and medium-sized enterprises are a part of society, they take their philanthropic initiatives to support the needs of local communities seriously. Usually, small and medium-sized enterprises initiate different philanthropic programs targeting local communities. To ensure a successful implementation of such programs, small and medium-sized enterprises might consider involving their employees who have philanthropic motivations and are usually involved in voluntary activities within their communities already. By funding social initiatives, small and medium-sized enterprises enhance their reputation and might consider their philanthropic activities as an extension of their business interests along with pursuing their economic and environmental protection goals.

#### *How do Small and Medium-Sized Enterprise Managers Perceive Implementation of Corporate Social Responsibility?*

To address the second research question (RQ2: How do small and medium-sized enterprise managers perceive implementation of corporate social responsibility?), manager-interviewee perceptions about corporate social responsibility of small and medium-sized enterprises were analysed and both strengths and weaknesses of corporate social responsibility-related activities among Lithuanian small and medium-sized enterprises were identified.

Based on the qualitative data analysis, we suggest that managers play an important role in initiating socially responsible activities within their small and medium-sized enterprises. To run a company in a socially responsible manner, small and medium-sized enterprise managers consider those socially responsible activities as fundamental to their businesses. As per Interviewee 3 (representing a small and medium-sized enterprise “B”), “...we live in a society and cannot only be users, but have to be responsible for and take care after it. Social responsibility brings a two-way mutual benefit – it aids solving the problems of our society and a small and medium-sized enterprise earns trust from that society [local communities]. Moreover, if the manager works reliably, responsibly and holds strong moral beliefs, then social responsibility does not seem artificial or imposed upon”.

Although our empirical data shows that the managers of small and medium-sized enterprises acknowledge the importance of their contribution to initiate socially responsible activities, there is a lack of formalised

procedures to measure socially-responsible performance of employees among small and medium-sized enterprises. Therefore, a formal assessment of employee contribution to socially responsible activities and rewards for such behaviour remain to be further considered within small and medium-sized enterprises. A formal reward system for socially responsible activities would encourage employees within small and medium-sized enterprises to suggest innovative projects for socially responsible activities that small and medium-sized enterprises could implement.

Further, our empirical data suggests that small and medium-sized enterprises experience difficulty to adequately measure the involvement of their competitors into socially responsible activities. Due to the lack of a formalised measurement system within industries small and medium-sized enterprises develop their own measurement criteria that are of qualitative nature. Therefore, a lack of a uniform corporate social responsibility measurement system makes it harder to compare the intensity level of and involvement with socially responsible activities in other small and medium-sized enterprises either within or across industries in Lithuania.

Next, our qualitative data analysis shows that to maintain a strong and positive image of a socially responsible small and medium-sized enterprise, such companies tend to work with suppliers who also follow a philosophy of corporate social responsibility. According to Interviewee 1 (representing a small and medium-sized enterprise “C”), “...companies that we work with happened to be socially responsible companies and they pay a lot of attention to the same issues we care about”. This finding is in line with previous literature and suggests that socially responsible behaviour of company’s corporate socially-oriented activities can be enhanced by achieving supplier compliance (Boyd et al., 2007). Also, socially responsible small and medium-sized enterprises tend to refrain from taking part in risky projects that could harm their company’s reputation or negatively affect the quality of their products and decrease their customer satisfaction. In other words, small and medium-sized enterprises work only with socially responsible suppliers because they aim to offer high quality products to their customers.

Further, our qualitative data findings suggest that small and medium-sized enterprises aim to promote their socially responsible activities to its stakeholders. For example, small and medium-sized enterprises work closely with young people to educate them about advantages of renewable energy sources, clean water and other environmental sustainability-related topics. Small and medium-sized enterprises use local councils and educational institutions to reach young members of local communities. To promote such socially responsible activities small and medium-sized enterprises allocate annual budgets in their annual marketing plans. For instance, small and medium-sized enterprise “B” uses both traditional and social media tools to connect with its stakeholders and educate them about their corporate social responsibility initiatives. This company uses TV, radio and *Facebook* to promote their socially responsible activities to its stakeholders. Further, the company supports yearly “clean your neighbourhood” activities organised by local

communities and promotes clean water-related project “Water ecosystems”. Also, the company collaborates with higher education institutions in Russia, Belarus, Poland and Lithuania (e.g., *Kaunas University of Technology, Vilnius Gediminas Technical University*) to raise awareness about water cleaning and water management activities and consult students on their projects about environment protection.

Next, our results show that socially responsible small and medium-sized enterprises offer equal employment opportunities to potential applicants representing different societal groups, including members of trade unions and all employees of small and medium-sized enterprises are entitled to a “wellness package”. For example, a small and medium-sized enterprise “C” offers a reasonable “wellness package” comprising flexible working system, abonnements to gyms and swimming pools, social security benefits, gifts to its employees on special occasions and emergency benefits.

Further, our findings suggest that small and medium-sized enterprises contribute to the development and employment of young people. For example, a small and medium-sized enterprise “C” stands out for using specific means to promote and facilitate employment and vocational training for young people. The company has developed good links and works closely with educational institutions in Lithuania. Usually, universities invite representatives from the company to partake in training workshops and conferences and advise their students on their final year projects. In summer holidays, students are employed by the enterprise “C” to gain practical skills and those who perform well are offered an opportunity to be permanently employed after graduation.

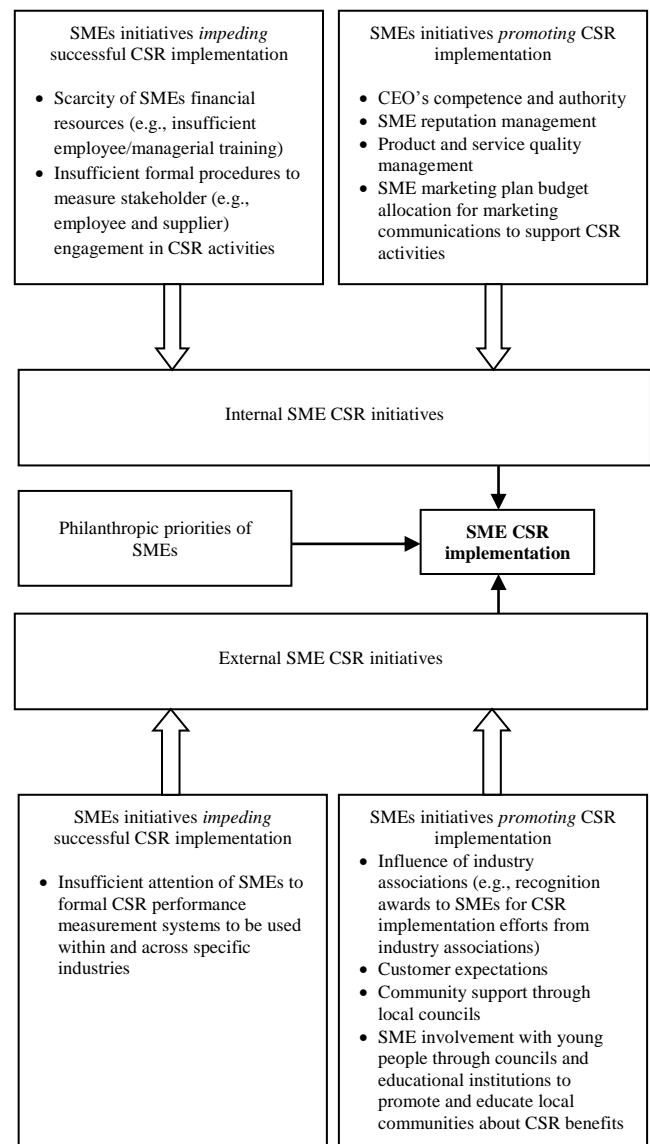
### Where do we go from Here? Theoretical Model and Propositions

Based on the above analysis of our data, in this section, we present our theoretical model and support our propositions with theories.

We use Classification Theory to put forward our theoretical model consisting of three important elements that could influence corporate social responsibility-related activities within small and medium-sized enterprises. Classification Theory holds that knowledge about things is organised through categories. In our model, we propose three key factors: (1) the philanthropic orientation among small and medium-sized enterprises, (2) internal social responsibility activities and (3) external social responsibility activities, which might impede or promote corporate social responsibility of small and medium-sized enterprises (Figure 1).

First, the model proposes that a successful implementation of corporate social responsibility-related activities across small and medium-sized enterprises depends on a philanthropic “soul” or priorities (Rangan, Chase & Karim, 2012) among the small and medium-sized enterprise founders. In other words, small and medium-sized enterprises express both social and environmental priorities through a production of environmentally friendly products and care after the environment along with their initiatives to connect with and educate local communities

about corporate social responsibility among small and medium-sized enterprises. A positive influence of such philanthropic priorities of small and medium-sized enterprise founders on corporate social responsibility initiatives of their small and medium-sized enterprises could be explained by Signalling Theory. This theory suggests that two parties exchange information with each other, but both sender and receiver use different means of communication to send and interpret the information. In our case, a small and medium-sized enterprise that has been established by its founders with an ecology-oriented priority would signal a strong credibility of the small and medium-sized enterprise intentions to behave responsibly among its stakeholders, increasing the likelihood of a successful implementation of any new corporate social responsibility-related activities initiated by respective small and medium-sized enterprises.



**Figure 1.** A Theoretical Model of Small and Medium-Sized Enterprise Corporate Social Responsibility (CSR) Initiative Implementation

Likewise, stakeholders (e.g., local communities or company’s shareholders) would take into account the philanthropic origins of the small and medium-sized

enterprise when evaluating the success of its corporate social responsibility actions; however, they would use different means of communications (e.g., media sources) to reassure those corporate social responsibility-related actions are genuine.

Further, to achieve a successful implementation of socially responsible behaviour by small and medium-sized enterprises, both internal and external corporate social responsibility-related activities of small and medium-sized enterprises have to be taken into consideration. We use Stakeholder Theory, Legitimacy Theory and Triple Bottom Line Theory to explain the significance of both internal and external CSR initiatives on small and medium-sized enterprise motivation to practically implement corporate social responsibility.

First, Stakeholder Theory identifies the key groups of stakeholders which require immediate attention from managers because “stakeholder analysis enables identification of those societal interest groups to whom the business might be considered accountable, and therefore to whom an adequate account of its activities would be deemed necessary” (Woodward and Woodward, 2001, p.1). In our case, small and medium-sized enterprises might consider dividing their stakeholders into two groups: an internal group and an external group of stakeholders. Further, different subgroups need to be identified within those two groups (i.e., internal and external) of stakeholders. For example, small and medium-sized enterprises might see members of local communities as representing an important external stakeholder group; while a crucial subgroup of internal stakeholders could be represented by employees leading small and medium-sized enterprises to a successful implementation of their corporate social responsibility.

Further, Legitimacy Theory suggests that entities attempt to function in accordance with the society bounds and “the social values associated with or implied by their activities and the norms of acceptable behaviour in the larger social system of which they are part” (Dowling and Pfeffer, 1975, p.122); while Triple Bottom Line Theory explains the link among economic, social and environmental factors that companies are expected to be accountable for when running their businesses. In our case, small and medium-sized enterprises should work closely with the stakeholders from both internal and external groups they have established as key stakeholders (e.g., employees, suppliers, local communities) and pay close attention to their needs. For instance, small and medium-sized enterprises could engage local communities through local councils and organise various educational events to teach them about the need to follow norms and social values in businesses and support young community members, thereby increasing a successful outcome of corporate social responsibility activities initiated by such small and medium-sized enterprises.

Based on the above reasoning, we propose that a careful consideration of philanthropic orientation along with factors impeding or promoting corporate social responsibility activities initiated by small and medium-sized enterprises might enhance their implementation; while lack of attention to those factors by small and medium-sized enterprises may reduce the success of

corporate social responsibility implementation and we put forward the following propositions that further studies would need to test empirically:

*P1: The philanthropy in business of a small and medium-sized enterprise nurtures corporate social responsibility-related initiatives.*

*P2: Small and medium-sized enterprise internal responsibility-related initiatives increase (decrease) a successful implementation of a corporate social responsibility.*

*P3: Small and medium-sized enterprise external initiatives increase (decrease) a successful implementation of a corporate social responsibility.*

## **Conclusion**

The paper aims to put forward a theoretical model based on the qualitative data findings. The theoretical model consists of three crucial factors that play an important role in promoting or impeding a successful implementation of corporate social responsibility activities among small and medium-sized enterprises. Those factors are as follows: (1) philanthropic priorities of small and medium-sized enterprises when running their businesses; (2) internal small and medium-sized enterprise social responsibility-related initiatives and (3) external small and medium-sized enterprise social responsibility-related initiatives.

Specifically, given philanthropic priorities of small and medium-sized enterprises for both society and environment it is not surprising for those small and medium-sized enterprises to actively implement a socially responsible behaviour in their daily businesses activities. For instance, a small and medium-sized enterprise, which has been established with ecology-related origins in its founders’ mind, such as electricity production using renewable wind energy sources, has a strong foundation to follow corporate social responsibility in its business.

Further, our findings show that small and medium-sized enterprise corporate social responsibility-related initiatives depend on external and internal factors that might hinder or enhance such initiatives. For instance, internal small and medium-sized enterprise corporate social responsibility-related initiatives impeding a successful implementation of small and medium-sized enterprise responsible behaviour represent limited small and medium-sized enterprise financial and human resources compared to multinational corporations, which enjoy adequate allocation of both financial and human resources to implement corporate social responsibility activities. However, despite small and medium-sized enterprise financial and human resource constraints, their marketing plans usually anticipate promoting corporate social responsibility initiatives in their businesses and foresee a number of marketing communication activities to engage with key groups of stakeholders and adequately manage small and medium-sized enterprise reputation.

Further, our findings advocate that small and medium-sized enterprises have insufficiently developed formal measures to assess their stakeholders’ involvement in and engagement with a socially responsible behaviour pursued by their firms. This drawback, in turn, limits small and



medium-sized enterprise understanding how to allocate their marketing budget more effectively to achieve the highest returns on investment in the implementation of corporate social responsibility. However, small and medium-sized enterprises could use a number of activities to enhance corporate social responsibility implementation. For instance, our findings suggest that a manager's sustainability-related competence and a sufficient understanding of a need to make a positive impact on the society and environment along with the manager's authority may contribute positively to a successful implementation of small and medium-sized enterprise corporate social responsibility. Also, small and medium-sized enterprises take their product and service quality very seriously and avoid sacrificing quality due to lower production costs. Therefore, socially responsible small and medium-sized enterprises select their suppliers very carefully.

Second, an important external factor that might prevent a successful implementation of corporate social responsibility among small and medium-sized enterprises is related to the lack of formal corporate social responsibility measures. Such measures would enable small and medium-sized enterprises to adequately assess their investment in corporate social responsibility activities and compare their own corporate social responsibility activities with those of other small and medium-sized enterprise corporate social responsibility activities within the same industry as well as across industries.

Further, external rewards (e.g., awards from industry associations), small and medium-sized enterprise customer expectations to behave in socially responsible way and small and medium-sized enterprise involvement with young people through educational institutions and local councils would contribute positively to corporate social responsibility implementation of those firms. Small and medium-sized enterprise collaboration with local councils and educational institutions enables small and medium-sized enterprises to educate young people and other community members about benefits of socially responsible behaviour to society in general and demonstrate how an engagement of young people and other community members with social responsibility-oriented activities could contribute to a more successful implementation of corporate social responsibility among small and medium-sized enterprises.

### **Limitations and Future Research Directions**

As with any other research, this study has limitations that indicate future research directions.

First, to answer the research questions our study took a qualitative approach. Qualitative data allowed us to gain deeper insights into managers' perceptions about corporate social responsibility issues and resulted in a proposed theoretical model by authors. The study did not aim to empirically test the model but the authors anticipate that further studies would need to test the model empirically to allow generalisation of the results among Lithuanian small and medium-sized enterprises.

Second, our findings suggest that philanthropic priorities originating from managers among small and medium-sized enterprises plays an important part in initiating socially responsible behaviour in a small and medium-sized enterprise. Thus, further studies could empirically test the extent to which the factor of the philanthropic priorities in business among small and medium-sized enterprises affects the speed of corporate social responsibility implementation in a Lithuanian small and medium-sized enterprise.

Third, our findings advocate that small and medium-sized enterprise corporate social responsibility-related activities are somehow hindered by internal factors. For instance, small and medium-sized enterprises lack formal corporate social responsibility initiative measurement systems and employee training. Therefore, researchers could further explore the internal factors impeding corporate social responsibility-related initiatives across small and medium-sized enterprises and suggest an objective and comparable measurement system across small and medium-sized enterprises in Lithuania to allow for a formal assessment of social corporate responsibility initiatives within as well as across industries.

Fourth, our study did not aim to empirically test effects that external factors have on small and medium-sized enterprise corporate social responsibility implementation. Thus, further quantitative studies could deepen our understanding of the extent of those factors that impede or promote corporate social responsibility among small and medium-sized enterprises in Lithuania. For instance, researchers might assess the extent to which the industry association reward system affects the motivation of small and medium-sized enterprises to carry corporate social responsibility activities. Also, our data analysis suggests that external stakeholders play an important part among small and medium-sized enterprises. According to Calabrese & Lancioni (2008), even though companies aim to be socially responsible and meet the expectations of all stakeholders, they can experience not only the profit losses, but also the loss of authority among its key players. Therefore, gaining more knowledge on needs and expectations of various groups of stakeholders would allow companies to better communicate impact of small and medium-sized enterprise socially responsible behaviour in Lithuania. Moreover, our results show that small and medium-sized enterprises seek to educate local community members about the positive impact of small and medium-sized enterprise corporate social responsibility activities to society. Therefore, further studies might deepen our understanding about the extent of that impact to society and uncover novel ways to engage local communities, especially, young people with social responsibility activities initiated by small and medium-sized enterprises in Lithuania.

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