

Comprehension of Social Responsibility of Entrepreneurs, Media and Experts - Case Study in Latvia

**Raja Kočanova, Sanda Geipele, and Ineta Geipele
Institute of Civil Engineering and Real Estate Economics
Faculty of Engineering Economics and Management
Riga Technical University
Riga, Latvia**

Abstract

Topicality of the research is that at the end of the 20th century, responsibility towards future generations became an issue that was more and more widely discussed in the society. In addition to economic aspects, the social and ecological issues became more and more outstanding, as the question whether the system of nature will be able to cope with the increasing burden caused by human activities became increasingly urgent. Latvia has made its first attempts to implement the principles of sustainable development. *The aim* of the paper is to explore and discuss how the experts, media and representatives of business environment understand social responsibility. The paper provides an assessment of the largest Latvian enterprises' compliance with social responsibility principles also. The scientific research *methods*: during the elaboration of this paper, conventional economics' techniques of quantitative and qualitative data analysis were used, including as well as statistical methods for data processing. For proving the above-mentioned theses, authors use a survey of managers and professionals of large and medium-sized enterprises in Latvia. Interpretation of the results comprises the analysis of questionnaires, as well as the main conclusions based on the information obtained in this research.

Keywords

Social responsibility, comprehension, entrepreneurs, mass media, sustainability

Introduction

Overall, there are general studies of sustainable development as an economic category both worldwide and in Latvia (studies conducted in Latvia: Energy Policy of Latvia: Towards a Sustainable and Transparent Energy Sector; Riga City Sustainable Energy Action Plan 2010-2020; Sustainable Development Strategy of Latvia until the year 2030); however, it is necessary to answer the questions like how to improve and develop strategic management of enterprises while ensuring sustainable development.

On the boundary of the 20th and 21st centuries, the role of strategic management has gradually increased due to the fact that according to management theory an enterprise is considered to be an open system. Thus, entrepreneurship is being affected by multiple external factors, and they have to be taken into consideration and must be cooperated with in order to manage business successfully. This cooperation system is being provided by strategic management.

In the 21st century the role of strategic management is increasing due to the changing external environment and, in order to ensure enterprise's sustainability, it is essential to have the ability to both use the possibilities and reduce the negative impact of external environment.

In order to ascertain whether social responsibility issues are known and clear in environment of Latvia entrepreneurs, media and experts whether they are used in the practice of institutions strategic management, whether they are included in the strategic plans of enterprises as well as what factors are considered as the most significant and what changes would be necessary to implement in the strategic planning of organisations, the authors had necessity to obtain primary data as, unfortunately, until now exhaustive studies of these problems were not performed in Latvia therefore the obtaining and analysis of secondary data was not possible.

The objective of the study: to perform in depth research of social responsibility aspect among the experts, representatives of media and business environment representatives. *The measured indicators in the target audience of experts*: opinion and comprehension of social responsibility. *The measured indicators in target audience of media representatives*: opinion and comprehension of social responsibility. *The measured indicators in target audience of business environment representatives*: opinion and comprehension of social

responsibility; correspondence of social responsibility aspect to enterprises *Latvenergo, Latvijas Gāze and Rīgas siltums*; usage of social responsibility elements planning and developing strategy of an enterprise.

The target group:

- experts: representatives of sector associations, representatives of science, the leading teaching staff of higher education institutions;
- representatives of Latvia media: journalists specialised in the energy sector;
- representatives of Latvia business environment: private, public and nongovernmental sector enterprises, the senior and middle level management of institutions.

The survey method: Computer Assisted Telephone Interviews in all the target groups.

The sampling amount: 9 interviews of experts; 8 interviews of representatives of media; 450 interviews of business environment representatives.

Results and Discussion

Analysing comprehension of social responsibility concept (see Figure 1), the authors concluded that six out of nine interviewed sector experts by social responsibility concept understand various social aspects of sustainability aspects (responsible relationships with all the stakeholders – employees, customers, suppliers, society etc.) as well as economic aspects of sustainability aspects (an enterprise operates with profit, pays taxes, it has sustainable business strategy, transparency of its operation and etc.). Two experts have pointed out that social responsibility is also environmental sustainability (producing of green energy, environment friendly technologies, care for the environment and etc.).

Seven of eight interviewed representatives of media (see Figure 1) by the concept of social responsibility understand various social aspects of sustainability, but three representatives of media have also mentioned various economic aspects of sustainability. Only one representative of media has pointed out that social responsibility is also environmental sustainability.

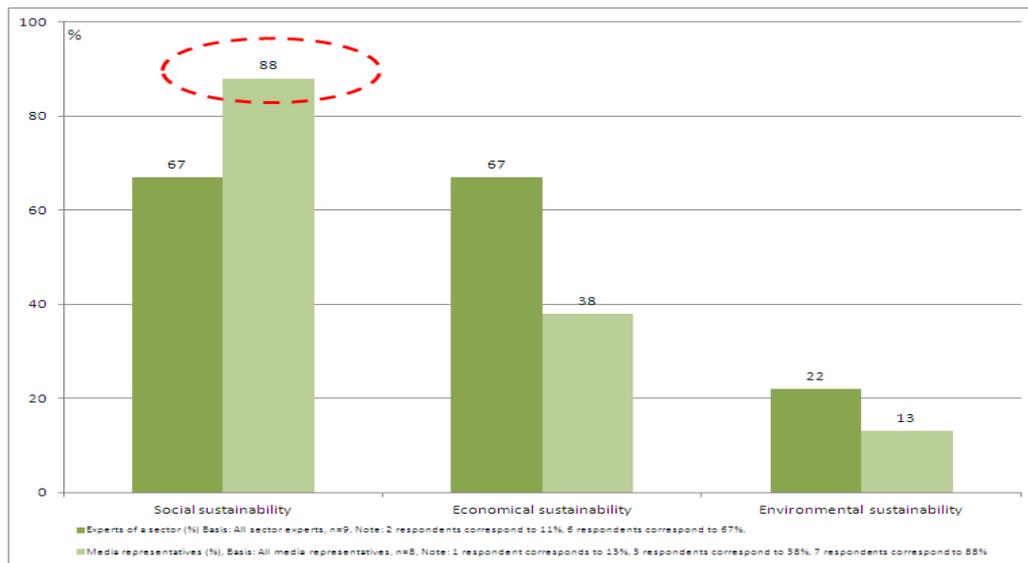


Figure 1: Comprehension of social responsibility concept among the experts and representatives of media

The absolute majority (58%) of the interviewed business environment representatives (see Figure 2) by the concept of social responsibility understands various social aspects of sustainability (responsible relationships with all the stakeholders – employees, customers, suppliers, society etc.). Each tenth business environment representative by social responsibility concept understands various economics aspects of sustainability (an enterprise operates with profit, pays taxes; it has sustainable business strategy, transparency of its operation and etc.). Only 5% of business environment representatives have pointed out that social responsibility is also environmental sustainability (producing of green energy, environment friendly technologies, protection of environment and etc.).

It is interesting that 2% of respondents relate image and reputation of the enterprise to social responsibility concept. For about one third (36%) of business environment representatives it is *difficult to name* spontaneously specific aspects that are understood as social responsibility.

The social aspects of sustainability more often than average were mentioned as an element of social responsibility by the managers and owners of the enterprises, annual turnover of which exceeds 2 million LVL. Whereas economic aspects of sustainability were mentioned on average more often by the managers and owners of the enterprises, annual turnover of which exceeds 7 million LVL (1LVL=0,53USD).

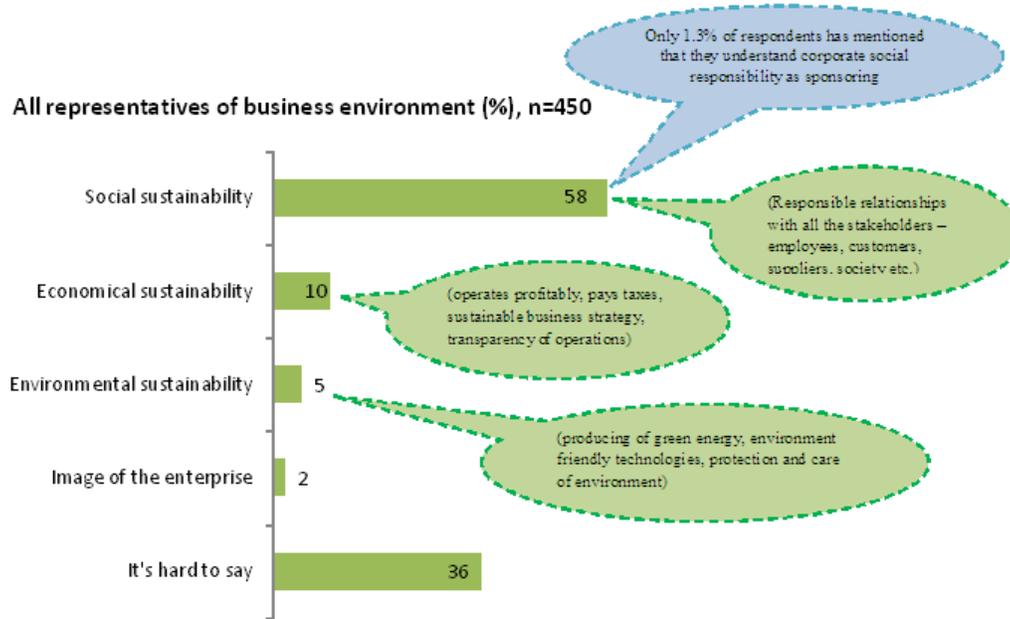


Figure 2: Comprehension of social responsibility concept among representatives of business

Data evidence that in general there is no in depth comprehension of social responsibility concept among managers and owners of the enterprises (see Figure 3). About one half (55%) of respondents has mentioned only one element of social responsibility, the most often just the social aspects of sustainability (50%). Relatively only economic or only environment aspects of sustainability are mentioned by very small number of the survey respondents (respectively: 5% and 1%).

About one tenth (8%) of heads of enterprises was able to mention two elements of social responsibility. Social and economic or social and environment aspects of sustainability were mentioned equally often (respectively: 4% and 3%).

All three elements of social responsibility were mentioned by very small number of heads of enterprises (1%). Only one element of social responsibility more often than average was mentioned by heads of budgetary institutions (71%), as well as heads of enterprises (90%) of younger (18-24 years old) age. Whereas more often than on average the heads of enterprises, which annual turnover exceeds 7 million LVL, were able to name two elements of social responsibility (45%).



Basis: all representatives of business environment, n=450

Figure 3: Comprehension of social responsibility concept among managers and owners of the enterprises

The correlation emerged that managers and owners of large enterprises (250 and more employees) (see Figure 4) more often than on average were able to provide a specific answer what exactly they meant by the concept of social responsibility – only each tenth respondent pointed out that it was difficult to answer (13%). That evidences of ability of large enterprises to cover all the aspects of social responsibility, incorporating them in their daily activity. More often than others managers and owners of large enterprises have pointed out that social responsibility includes various social sustainability aspects (83%).

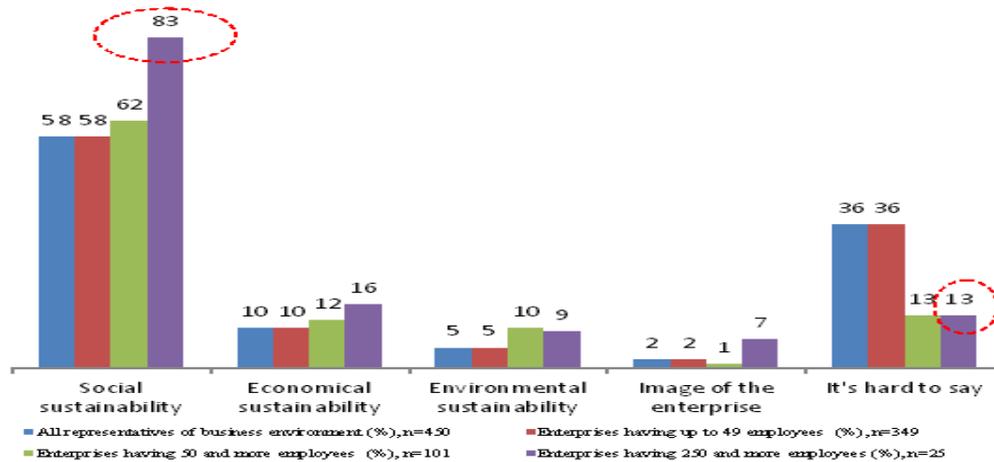


Figure 4: Comprehension of social responsibility concept among business representatives: division by number of employees

Data evidence that (see Figure 5.) both the social and economic aspects of sustainability more often were mentioned by managers and owners of the enterprises, which annual turnover exceeds 7 million LVL (respectively: 84% and 43%).

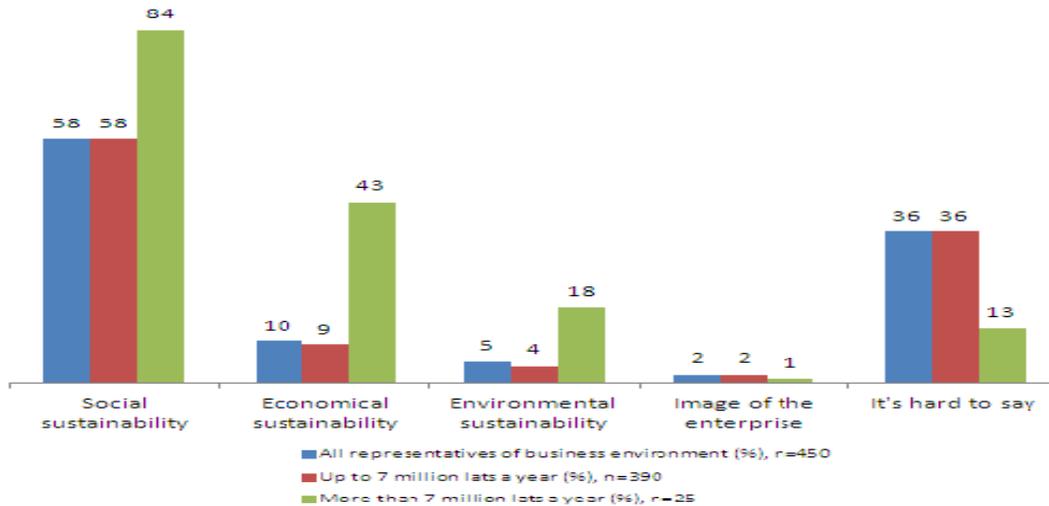


Figure 5: Comprehension of social responsibility concept among business representatives: division by the turnover

The trend has emerged (see Table 1) that the representatives of those enterprises which annual turnover is less than 50 thousand LVL a year are less knowledgeable; to the question about social responsibility concept they more often have responded “It's hard to say/NA” (45%). Relatively to representatives of enterprises, annual turnover of which exceeds 7 million LVL, specific weight of this answer is only 13% that is less than average. The social aspects of sustainability more often than average were mentioned by managers and owners of the enterprises, which annual turnover is 2 to 7 million LVL (77%). Whereas both social and economic aspects of sustainability more often were mentioned by managers and owners of the enterprises, which annual turnover exceeds 7 million LVL (respectively: 84% and 43%). The trend has emerged that heads of these enterprises relatively more often than on average also mentioned environment aspects of sustainability (18%).

Table 1: Comprehension of social responsibility concept among business representatives: division by the turnover

	All representatives of business environment	Up to 50 000 LVL a year	51 000-100 000 LVL a year	101 000-500 000 LVL a year	501 000-1 million LVL a year	1 million 100 000-2 million LVL a year	2 million 100 000-7 million LVL a year	More than 7 million LVL a year
<i>Basis</i>	450	172	63	74	32*	20*	29*	25*
Social sustainability	58	52	68	60	61	67	77	84
Economical sustainability	10	7	11	16	7	6	11	43
Environmental sustainability	5	2	11	5	0	14	8	18
Image of the enterprise	2	1	2	5	3	0	0	1
It's hard to say	36	45	22	23	32	31	23	13

Notes

45	The indicator is statistically significantly higher than the sample as a whole
2	The indicator is statistically significantly lower than the sample as a whole

Analysing the obtained data the authors have concluded that respondents are not informed completely about values and principles of social responsibility. It refers particularly to small enterprises, however, comprehension of experts and representatives of media has also surprised. The authors believe that to a great extent the opinion is influenced not by knowledge but by the word ‘social’ in the wording of social responsibility concept which let the respondents to anticipate that they are asked about something social. In explanation of the question about

the social aspects of sustainability it has also pointed out to the stakeholders (employees, customers, suppliers, society) that respondents understand in general.

The fact that respondents underestimate the environment aspect evidences even more of very approximate comprehension of social responsibility. Only 5% (see Figure 2.) of all interviewed consider environment aspects of sustainability as a part of social responsibility, and possibly it is determined by prompting explanation included in the question of questionnaire (producing of the green energy, environment friendly technologies, protection of environment, care for the environment). That means that issues of global warming, climate changes, pollution of the environment etc. representatives of Latvia business environment do not apply to themselves and do not see responsibility of the enterprise in this aspect and are poorly (or not at all) informed about aspects of sustainability goals, initiatives and requirements of international institutions and organisations. The authors conclude that economic aspects of sustainability are also not understood completely and are not perceived as a part of social responsibility as only 10% (see Figure 2) of respondents refer it to social responsibility. It seems that explanation to the question (to operate profitably, to pay taxes, sustainable strategy, transparency of operations), that includes main postulates of business, have not inspired business environment representatives to agree with the fact that social responsibility includes an economical aspect too.

The authors' opinion is confirmed by transcripts of other answers which the authors have grouped by the content of the provided answers. The answers include mostly social sustainability elements slightly touch the economic aspect and explain nothing concerning the responsibility and the area of protection of the environment. The major group of other answers includes the social aspects of sustainability: responsible relationships with society, emphasizing responsibility of the enterprise for the quality of the product/service produced by it, consequences of activity, the need to provide the society with believable information, to be transparent; responsible relationships with customers (consumers), expressing wishes for improvement of customer service, ensuring more transparent payment system for services; responsible relationships with employees and responsible relationship in general with all the stakeholders. The importance of items surveyed in the present research is proved by Calabrese et al. (2013) opinion.

To a large extent these answers are general and declarative that shows that business environment representatives do not identify themselves as socially responsible, applying these requirements to some other enterprises and not to themselves.

Analysis of the results of research discovers insufficient understanding of Latvian entrepreneurs of social responsibility and sustainable development providing. An information proposed by the present paper acknowledges Person's (2012) discussion concerning corporate social responsibility and sustainability incorporation into business course.

The analysis has also answered to the question whether social responsibility elements are taken into account developing and planning strategy of the enterprise, it is clear that in general answers have already conformed to comprehension of social responsibility. However, it has to be acknowledged that half of interviewed business environment representatives pointed out that some social responsibility elements were taken into account developing and planning strategy of their enterprise. Each forth respondent has mentioned that at his enterprise all elements of social responsibility are taken into account. However, in each fifth enterprise developing and planning strategy of the enterprise elements of social responsibility are not taken into account. Relatively more often developing and planning strategy of the enterprise all elements of social responsibility are taken into account in the enterprises with a number of employees exceeding 50. Whereas relatively more often enterprises' senior management/general managers/chief financial officers are sure concerning usage of all elements of social responsibility (Davis 1973). Typically that those heads of enterprises, who have mentioned that during planning all elements of social responsibility are taken into account, more often than on average understand by social responsibility just the social aspects of sustainability (71%).

It is possible to interpret indicators of that whether developing and planning strategy of the enterprise elements of social responsibility are taken into account (see Figure 6) calculating the single indicator – balance, as the difference between the specific weights of extreme answers.

$$S = („+”) - („-”) \quad (1)$$

where („+”) – the specific weight of the positive („taking into account all elements of social responsibility”) answers, percentage;

(„-”) – the specific weight of the negative („not taking into account elements of social responsibility”) answers, percentage.

Balance can be calculated in two variants. In the first variant specific weight of „the average” of neutral answers was not taken into account believing that it does not influence balance value directly.

$$S = 26\% - 17\% = 9\% \quad (2)$$

where 26% - specific weight of positive answers

17% - specific weight of negative answers.

In the second variant the specific weight of neutral answers is added to the specific weight of positive answers believing that social responsibility is a new element in the practice of strategic planning, and positively assessed is the fact that in the developing strategy of the enterprise even some elements of social responsibility are taken into account. In this case the balance will be:

$$26\% + 51\% = 77\% \quad (3)$$

$$S = 77\% - 17\% = 60\% \quad (4)$$

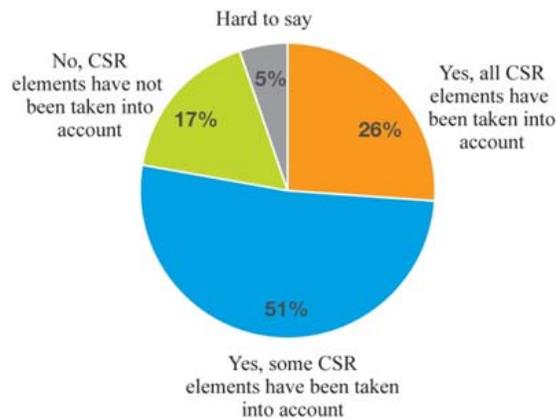
where 26% - specific weight of positive answers

51% - specific weight of neutral answers

17% - specific weight of negative answers.

The authors prefer the first variant of calculation believing that adding of the specific weight of neutral answers to the specific weight of positive answers is not correct as usage of some social responsibility elements in development of the strategy does not explain how big is their specific weight and it is impossible to judge in what indicators it manifests.

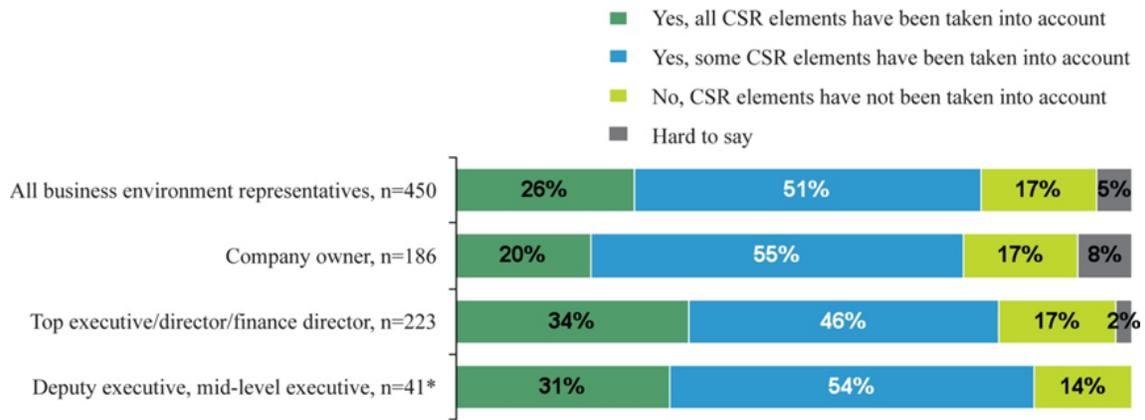
Thereby, the balance calculated by the first variant evidences that the enterprises taking into account the elements of social responsibility developing strategy of the enterprise have only 9% predominance comparing to those that are not using these elements, the similar situation is mentioned in Greece (Čeha 2013).



Source: All business environment representatives, n=450

Figure 6: Use of social responsibility's elements while developing business strategy

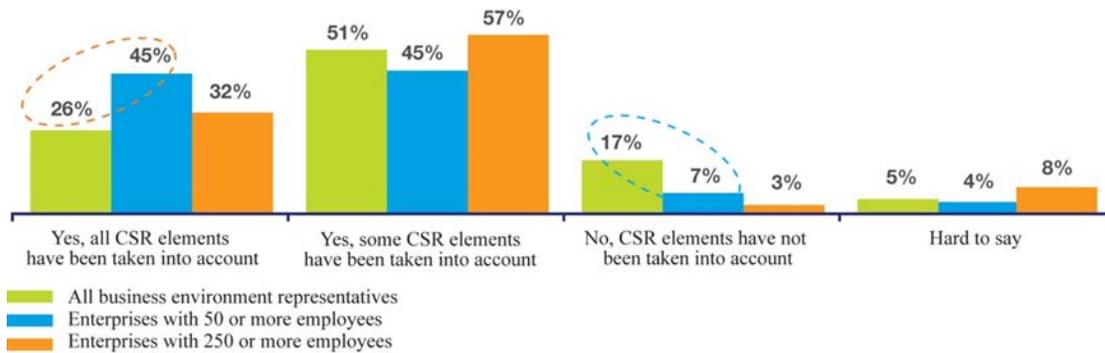
It has to be noted that the senior management/general managers/chief financial officers of enterprises are sure concerning the usage of all the elements of social responsibility relatively more often (34%) (see Figure 7).



Source: All business environment representatives, see „n” in the graph
 Note*: Due to the small number of respondents, the data represent the main trends

Figure 7: The usage of social responsibility elements developing strategy of the enterprise: division according to the position occupied

Managers and owners (45%) of medium size and large enterprises (50 and more employees) have pointed out more often than the average indicator that developing and planning strategy of their enterprise all social responsibility elements were taken into account, (see Figure 8). Whereas less frequently than average (7%) managers and owners of medium size and large enterprises (50 and more employees) have mentioned that an element of social responsibility was not taken into account planning and developing strategy of their enterprise.



Source: All business environment representatives, n= 450
 Enterprises with 50 or more employees, n = 101
 Enterprises with 250 or more employees, n = 25 (due to the small number of respondents, the data represent the main trends rather than statistically significant differences)

Figure 8: Use of social responsibility elements in the development of company's strategy: breakdown by staff amount

Analysing the data obtained the authors concluded that development of social responsibility in Latvia goes on very slowly and ineffectively because of the reason that public demand for business social activities was not formed: public expectations are not defined, perceptions regarding justice are distorted, circle of the stakeholders are limited mainly to the state and owners, mechanism of public informing of social activities of enterprises and their recognition are poorly developed. Certainly it is impossible to replace public demand by the state pressure (as the opposite effect can be reached – breaking of social development harmonization), however, the state can provide the initial impulse for the actualisation of social responsibility and therefore also for sustainable development.

Conclusions

On the ground of results of theoretical studies, of the data obtained and of practical experience the authors believe that at the present moment the Latvian state does not aware itself as embodiment of its nation historic

and social mission, the business is not aware of itself as a bearer of the positive social mission, business elite is not developed as an influential force, the state has not created conditions so that business circles would initiate, create and integrate a mechanism for mutual legal obligation, civil responsibility and social dialogue in the system of civilized civic, social, governmental, economic relationships. Democracy as it is comprehended by the western world is sustainable only when based on prosperity of the masses. Actual social problem-solving (the pension system, medical insurance, the homeless, people with disabilities and etc.) is impossible without new up-to-date knowledge and new relationships. It is necessary to develop new complex cooperation that will allow creating a model of shared social responsibility between the state, society and employers. Thereby social responsibility creates modern style of business activities that influences strategic decision-taking, respecting the interests of all the stakeholders. In order to identify, coordinate and respect the interests of the, stakeholders it is important to identify, understand and develop dialogue with them.

The results of the research carried out have revealed that in Latvia as a whole there is no clear understanding of social responsibility as a tool of management, strategic management systems used at the large Latvian energy enterprises are oriented to development of economic strategies and management of their implementation.

The research has proved that the environmental aspect, as a component of social responsibility and sustainable development is recognised by minimum number of respondents. However, sustainable development is characterised by three mutually connected dimensions: environmental, economic and social ones. That means that strict requirements for protection of the environment and high economic indicators are mutually directly connected that economic progress should not degrade the environment and simultaneously high quality of life is ensured. The basis of sustainable development definition content is a need to maintain environment for the next generations along with economic sustainability (gaining profit, payment of taxes and etc.) and social sustainability (care of employees, of social investments etc.), guiding development strategies towards reaching of harmony in relations of society and nature. Thereby, the fact is undoubted that only economic sustainability or only social aspects of sustainability or some separate elements of components cannot ensure sustainable development, attention should be paid to the raise of competitiveness as well (Calabrese et al. 2013).

The authors conclude that it is necessary to introduce social responsibility values in the environment of the Latvian business, to carry out informative work of explanation, widely involving state institutions and nongovernmental organisations; whereas experienced and educated organisations (Persons 2012) have to take initiative to provide a good example, to become a model in implementation of social responsibility principles, developing socially responsible strategic plans.

References

- Calabrese, A., Costa, R., Menichini, T., Rosati, F. Does corporate social responsibility hit the mark? A stakeholder oriented methodology for CSR assessment. *Knowledge and Process Management*. Vol.20(2). pp. 77-89, 2013.
- Calabrese, A., Costa, R., Menichini, T., Rosati, F., Sanfelice, G. Turning corporate social responsibility-driven opportunities in competitive advantages: A two-dimensional model. *Knowledge and Process Management*. Vol.20(1). pp.50-58, 2013.
- Čeĥa, M. Analysis of the application of the concept of corporate social responsibility in local business. *Singidunum Journal of Applied Sciences*. Vol. 10 Issue 1, p.1-10. April, 2013.
- Davis, K. The case for and against business assumption of social responsibilities. *Academy of Management Journal*. Vol. 16 Issue 2, p.312-322, June, 1973.
- Fedotova, K., Geipele, I. Konkurētspējīgi orientēta vadīšana koksnes produktu ražošanā Latvijā. [Competitiveness-Based Management for Manufacturing Wood Products in Latvia.]. Monograph. - Rīga, RTU Publishing House, - 217 p., 2012. *in latvian*.
- Fedotova, K., Geipele, I., Geipele, S., Stamure, I. Case study on Employee Competence Regarding Competitiveness and CSR issues of the Forest Industry Companies. *Applied Mechanics and Materials*. Vol. 394: Mechatronics, Applied Mechanics and Energy Engineering. / Edited by Wensong Hu. – Trans Tech Publications Inc., Durnten-Zurich, Switzerland, pp. 579-584, 2013.
- Fedotova, K., Geipele, S. Wood Materials Applied in Civil Engineering and Wood Industry Management in Latvia: Case Study. *Advanced Materials Research*. Vol. 804: Materials and Measurement. Edited by Dayun Xu. – Trans Tech Publications Inc., Durnten-Zurich, Switzerland, pp. 106-113, 2013.
- Geipele, I., Kauškale, L. The Influence of Real Estate Market Cycle on the Development in Latvia. *Procedia Engineering./ Modern Building Materials, Structures and Techniques - MBMST 2013*. Edited by Algirdas Juozapaitis, Povilas Vainiūnas and Edmundas Kazimieras Zavadskas. - Volume 57, pp. 327–333, 2013.
- Johnson, G., Scholes, K., Whittington, R. Exploring Corporate Strategy, Pearson Education Limited. – 789 p., 2005.

- Kočanova, R., Geipele, I., Niedrīte, V. Stratēģiskās vadīšanas sistēma organizāciju ilgtspējīgai attīstībai.[Strategic Management System for Sustainable Development of Organizations]. Monograph. - Rīga, RTU Publishing House, - 175 p., 2013. *in latvian*.
- Persons, O. Incorporating corporate social responsibility and sustainability into a business course: a shared experience. *Journal of Education for Business*, vol.87(2). pp.63-72, 2012.
- Tambovceva, T., Geipele, I. Environmental Management Systems Experience among Latvian Construction Companies. *Technological and Economic Development of Economy*. Volume17. Number4. pp. 595–610, 2011.

Biography

Raja Kočanova is an Assistant Professor at the Riga Technical University, Latvia. She has completed Doctor's degree in Management Sciences (Dr. sc.admin.) at the University of Latvia. She's doctoral paper Strategic management system for providing sustainable development of organizations are being approbated in energy industry enterprises. She has published journal and conference papers. Her current research interests are focused on Sustainability Development Problems of the energy industry enterprises. She is a Chairman of qualification Examination Committee at the Baltic International Academy.

Sanda Geipele is a fulltime 4th year PhD student of the Institute of Civil Engineering and Real Estate Economics, Faculty of Engineering Economics and Management at the Riga Technical University (RTU), Latvia. She is currently a Chief Economist in Riga City Council's Municipal Revenue Department and her work is related with real estate tax administration. She completed a professional Master's degree in Real Estate Management and obtained the qualification of the Real Estate Economist at the RTU. During the last 2 years she is supervising master and bachelor student scientific papers related to economics, marketing management, real estate economics/management/evaluation and project management in housing renovation. She is a member of master's and bachelor's thesis Examination Committee at the RTU.

Ineta Geipele is the Professor at the Riga Technical University (RTU), Latvia. The Director of the Institute of the Civil Engineering and Real Estate Economics, the Head of the Chair of the Civil Construction and Real Estate Economics and Management at the RTU. She has completed Doctor's degree in Economics and Master's degree of Economics in Engineering Sciences at the RTU. Her professional skills are improved in Austria, Germany, Denmark and England. She is an author and co-author of more than 150 scientific publications. Her current research interests are focused on Sustainability Development Problems of Real Estate Market, Construction Industry, including Land Use Management and Institutional Economics. She is an Expert on Management Science of the Latvian Council of Science; a board member of the FIABCI-Baltic Multinational Chapter, of the Cunfte of the Facility Management of Latvian Housing; a Member of the Latvian Union of Civil Engineers etc.