DRIVERS AND PERFORMANCE OUTCOMES OF RESPONSIBLE CARE:
THE CASE OF LITHUANIAN CHEMICAL INDUSTRY

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Abstract

The paper looks into different motives that drive organisation managers to engage into the activities of corporate social responsibility, and seeks to determine organisational outcomes of such policies and practices. Specific focus is given to the CSR policies and practices in the chemical industry, which suffers an extremely low public opinion in respect to environmental safety. The paper also looks into the industry’s self regulation attempts and looks into Responsible Care, an initiative of the chemical industry organisations to act responsibly, which is the world’s leading voluntary industry initiative, and its situation among chemical industry organisations in Lithuania. Research findings show that currently only a third of Lithuanian organisations belonging to the chemical industry association support the initiative, while the main motive for engaging into it activities is corporate image enhancement.

Keywords: Responsible Care, corporate social responsibility, chemical industry, Lithuania.

Introduction

The concept of corporate social responsibility (CSR) has received great research and business attention in the past few decades. At the start of this millennium, we see a growing number of organisations in the West engaging in socially responsible activities. Recently, research focus has also shifted to CSR in emerging markets, as CSR practices are assumed to be distinct in those countries due to differences in value systems and institutional environment, which results in differences in CSR practice types and levels (Muller & Kolk, 2009). However, despite the great research and business attention to the topic, there are still a number of unresolved issues relating to the CSR concept and activities, such as CSR concept definition, organisational motivation for engaging in CSR, CSR effects on the firm and stakeholder groups, etc. (McWilliams et al., 2006). Therefore, this paper will first look into the CSR concept and factors that drive organisations to act socially responsibly. Secondly, it analyses the performance outcomes of CSR activities.

In addition to individual CSR acts, organisations within certain industries join various industry CSR initiatives. In the chemical industry responsible organisations commit themselves to the avoidance of harm to people and environment by joining Responsible Care. Responsible Care is the chemical industry’s global voluntary initiative under which companies, through their national associations, work together to continuously improve their health, safety and environmental performance, and to communicate with stakeholders about their products and processes. In this context, another two questions arise. Firstly, being an initiative of the chemical industry, can Responsible Care be considered a synonym of CSR? Secondly, what drives Responsible Care initiatives in chemical industry organisations and are those drivers industry specific, or universal.

Thus the aim of this paper is to disclose the place of Responsible Care in the CSR concept as well as to show its manifestation in the chemical industry in Lithuania.

Drivers of corporate social responsibility

Debates over corporate social responsibility have produced an array of concept definitions; however, there still does not exist one widely accepted definition. Among the most commonly cited definitions of CSR is the one proposed by World Business Council for Sustainable Development (1998), according to which corporate social responsibility is defined as an organisation’s commitment to a discretionary behaviour that leads to economic development and contributes to the welfare of its employees, local community and society at large. Similarly European Multistakeholder Forum on CSR (2004) refers to CSR as an organisation’s voluntary integration of social and environmental concerns in business operations and interactions with stakeholders. McWilliams et al. (2006) define corporate social responsibility as an organisation’s

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1 www.responsiblecare.org
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disinterested and voluntary, i.e. not required by law, engagement into activities leading to the attainment of some social good.

In an attempt to systemize the existing CSR definitions, a distinction is made between CSR as an ethical stance, following which organisations engage in CSR without any self-interest and expectations for some social good.

The CSR concept elucidation and understanding may be further developed by an analysis of possible CSR drivers. Thus further on this section of the paper will try to respond to the question as to what motivates organisations to voluntarily engage into activities aimed at responding to various social and environmental concerns.

There is quite an array of organisational motivations for CSR discussed in theoretical and empirical studies. However, the issue is still considered underresearched. On the one hand, this can be accounted for by the above-mentioned CSR concept ambiguity, for until research comes to an agreement on what constitutes CSR, issues concerning organisational motivation for engagement in CSR will not be fully resolved. On the other hand, this research gap can be explained by a lack of candid information from the side of corporate management, who may be unwilling to disclose the more practical motivations behind their CSR activities (e.g. labour cost control, product promotion) and report only on those that are not related to the organisation’s bottom-line (McWilliams et al, 2006). Such a situation clearly calls for further research in the field, and would especially benefit from qualitative studies that would go deeper into the managerial motivation for CSR.

CSR initiatives include actions in both internal (e.g. changes in labour relations, production methods, etc.) and external (e.g. investment in local community initiatives, etc.) environments of the organisation (Aguilera et al, 2007). Respectively European Multistakeholder Forum on CSR (2004) makes a distinction between internal CSR drivers, such as values and commitment of key decision-makers, risk minimising and opportunity maximising; and external drivers, i.e. meeting the expectations of various external actors, for instance, investors, consumers, public authorities, NGOs, trade unions, other companies, business networks, intermediaries and supply chains. Similarly, in his Stakeholder theory, Freeman (2004) proposes that to be recognised as socially responsible an organisation should take into consideration the interests of its multiple stakeholders (consumers, employees, suppliers, investors and community), as they have an impact on organisational performance outcomes.

Based on propositions of organisational justice, stakeholder, stewardship and some other theories, Aguilera et al (2007) propose a multilevel model of organisational engagement in CSR practices. The authors maintain that there are multiple actors at individual, organisational, national and transnational levels that push organisations to act responsibly. Besides each group of actors have different instrumental (driven by personal interests), relational (concerned with relationships among group member) and moral (concerned with ethical standards and moral principles) motives for seeking organisational engagement in CSR. For instance, employees may push their management for higher commitment to CSR to have their personal needs for control met, for responsible organisations are more likely to be concerned about both internal and external people (an instrumental motive), enhance their sense of belongingness, as CSR necessitates close cooperation between management and employees (a relational motive), or to ensure meaningful existence, as employees would prefer working for an organisation whose strategies are consistent with their moral or ethical principles (a moral motive). At the organisational level, there may be a number of different internal and external stakeholders exerting pressure on the organisation in respect to its engagement in CSR activities, such as, for example, shareholder interest in the growth of competitiveness through the protection of the corporate image, long term profitability through promotion of long-term employee welfare or investment in R&D or high-quality products (instrumental), strive for social legitimation (relational), meet stewardship interests (moral). At the national level, governments, for instance, may promote CSR policies to enhance international competitiveness (instrumental), to encourage integration of economically marginalised into the mainstream (relational), or to develop a better society (moral). Finally, at the transnational level, transnational NGOs and IGOs may seek to promote business competitiveness (instrumental), social cohesion (relational), or make the world a better place (moral). It is noteworthy, however, that often a clear distinction
between the instrumental, relational and moral motives is difficult to make, as they may overlap. Nevertheless, this multiple actor model provides a rather comprehensive explication of CSR drivers at various levels.

Hemingway and Maclagan (2004) suggest a two-dimensional approach to studying CSR motives. First, they distinguish between two types of motivation, i.e. commercial, or strategic, vs idealistic, or altruistic. Secondly, they take into consideration the locus of responsibility and make a distinction between corporate and individual responsibility. Among the strategic motives, the authors name corporate image management, disguise of corporate misdemeanour, etc. As to the idealistic ones, the authors argue that personal values and interests of managers serve as an important CSR driver. However, a distinction between personal and organisational values is not always clear and easy to make. An answer to this dilemma could be sought through corporate moral agency considerations.

Lantos (2002) makes a distinction between three types of CSR - *altruistic* (philanthropic activities that may not be beneficial to the organisation’s financial situation), *ethical* (morally mandatory fulfilment of a firm’s economic, legal and ethical responsibilities) and *strategic* (fulfilment of philanthropic responsibilities that will lead to positive publicity and goodwill). Respectively organisational motives for engagement in CSR can be viewed as philanthropic, morally compulsory or led by self-interest.

Werther and Chandler (2006) maintain that CSR is a key element of strategy. To make a competitive advantage sustainable, the strategy must be approved of by a wider environment in which the organisations operate. Thus organisational ignoring of CSR may threaten its competitiveness.

Schoemaker et al (2006) propose that organisations that engage in CSR usually follow one of the three CSR strategies. Organisations that follow *risk orientation on CSR* are typically exposed to high societal visibility either due to their size, hazard level in the production process, high environmental emission, child labour issues, etc. In such case, the main CSR drivers come from the external context, and CSR mainly refers to risk control and safeguarding organisational reputation. In organisations with an *identity (inside-out)* orientation, engagement in CSR is first and foremost driven by their internal values and desire to strengthen organisational identity. Finally, the *world-view orientation on CSR* usually stems out from an interaction and dialogue with a diverse group of stakeholders. Such organisations can also be called double goal organisations, as along with their economic objectives they acknowledge some environmental or social concern as an organisational goal.

As nowadays organisations are more and more seen as open systems that are dependent on values shared between networks of people (Schoemaker et al, 2006), they are expected by multiple stakeholder groups – consumers, employees, shareholders, community, etc., to offer added value and act responsibly, i.e. to engage in socially responsible acts that are beyond legal requirements. Therefore, some authors emphasize that despite the relevance of internal drivers, organisations are more likely to engage in CSR in response to external pressures (Vogel, 2005). However, findings of Silberhorn and Warren’s (2007) comparative study of CSR in British and German companies revealed that performance considerations were the most prominent CSR motivator for the respondents, followed by corporate values and lastly stakeholder pressures. As to CSR application for different stakeholder groups, findings of Lindgreen et al (2008) nationwide survey of US organisations revealed that organisations had specific CSR practices relating to employees, customers and suppliers, and financial investors; while CSR practices related to philanthropy and environment were used to a lesser extent. When asked to evaluate the impact of different stakeholder groups on CSR practices, respondents perceived the influence of owners, CEOs, boards of directors and internal shareholders as relatively high, while that of governmental and other pressure groups scored rather low. Hine and Preuss (2009) empirical study of a sample of UK companies with a considerable international presence identified the following motives as main drivers of CSR practices: enhancement of corporate reputation and government initiatives and pressure.

Thus empirical evidence from prior research leads to an assumption that organisations have different strategic and ethical reasons to engage in CSR policies and practices, and the latter are addressed to multiple stakeholder groups.

**Outcomes of corporate social responsibility**

A belief that CSR is beneficial to organisations is particularly strong in Europe (Vogel, 2005). However in general there is an ongoing debate in research and the business world concerning corporate social responsibility is whether it is worthwhile for organisations to engage in CSR and act responsibly towards multiple stakeholder groups and society at large. Respectively, managers of organisations have different attitudes to CSR. Some managers respond positively to it and devote additional resources to

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promote CSR, as they recognise the relevance of multiple stakeholders (McWilliams and Siegel, 2001). Others, however, consider CSR efforts to be inconsistent with shareholder, whom they consider the central stakeholder, interests of profit maximization. Besides, those who theorise a negative relationship between CSR and economic performance argue that investment in CSR results in additional costs (Balabanis et al, 1998). Which way then leads to better performance outcomes? Do socially responsible organisations outperform companies that choose not to invest in CSR, is it vice versa, or there is no relationship between CSR and performance outcomes at all?

Research into the relationship between CSR and performance outcomes has mainly focused on the impact of corporate social performance (CSP), which is often considered a synonym of CSR, on corporate financial performance (CFP). Relevant issues related to the CSP-CFP linkage concern the understanding of its logic, relationship type (positive, negative, or neutral), and reverse causality.

To look into the CSP-CFP linkage, firstly, it is essential to understand different measures of the two constructs that are used by organisations and researchers. Orlitzky et al (2003) point to four major categories of CSP measures: (1) CSP disclosures; (2) CSP reputation ratings; (3) social audits, CSP processes, and observable outcomes; and (4) managerial CSP principles and values. The three broad categories of CFP measures include market-based (investor returns), accounting-based (accounting returns), and perceptual (survey) measures.

Why should CSR, or CSP, as often theorised, have a positive impact on financial performance? Nerville et al (2005) explain the CSP-CSF relationship through the stakeholder theory. Stakeholders have impact on the level of corporate resources and thus affect the financial performance of the organisation. Stakeholder decisions on resource allocation are complex and based on both instrumental (self-interest) and normative (moral) concerns; therefore organisations have to take both into consideration. In this respect corporate reputation plays a critical role, as stakeholders use it for the evaluation of organisational motivations, processes and outcomes.

Orlitzky et al (2003) explain the possibility of the CSP-CSF linkage by proposing that corporate social performance is positively correlated with corporate financial performance as it leads to the development of managerial competencies and accumulation of organizational knowledge about the market, social, political, technological, and other environments, and thus enhances organizational efficiency. Besides, corporate social performance contributes to the enhancement of positive reputation and goodwill with its external stakeholders.

Empirically the linkage has been studied from two perspectives – the relationship between CSR and concurrent and subsequent performance, and CSR and past performance. Prior research, however, has yielded mixed results; nevertheless, findings of the majority studies testify to a positive relationship between corporate responsibility and financial performance (Balabanis et al, 1998; Orlitzky et al, 2003; van Beurden & Gössling, 2008). For instance, results of a meta-analysis conducted by van Beurden and Gössling (2008) showed that majority (twenty three) of the selected studies found a positive relationship between corporate social performance and corporate financial performance; in nine of the studies relationship was not significant, while findings of only two studies revealed a negative CSP-CFP relationship. Their study also showed that to a certain extent past financial performance explained variations in CSR practices – philanthropic activities were found to be affected by gross profit-sales ratio and excess market valuation. Findings of Orlitzky et al (2003) meta-analysis of 52 studies on CSP-CFP linkage also provided support to the proposed CSP and CSF linkage. Besides, their results showed that CSP correlates more strongly with accounting-based measures of CFP than with market-based indicators, and CSP reputation indices with CFP than with other indicators of CSP. The study also supported the hypothesis of bidirectional causality between corporate social performance and financial performance. Similarly, Lindgreen et al (2009) found that organisations with more developed CSR performed better in respect to corporate image and impact on social and economic health.

Research has also determined some factors affecting CSR policies and practices, which may also have impact on its relationship with CFP. First, firm size was found to play a role in the development of certain CSR practices: smaller organisations tend to invest more in customers, suppliers, and employees and less in environmental practices in comparison to larger organisations (Lindgreen et al, 2009). Besides smaller organisations experience less governmental pressure to invest in environmental matters. Findings of van Beurden and Gössling (2008) meta-analysis also support firm size effect on corporate social performance. The impact of the firm size on the CSP-CSF linkage still remains unclear; however, it should be taken into consideration in future research.
Another significant factor affecting CSR relates to industry. Organisations in a specific industry are confined by specific norms, values and beliefs of that industry, some of which may be regulated by the law. Besides some industries are more vulnerable than others, so the CSR threshold varies from industry to industry (Werther & Chandler, 2006). McWilliams and Siegel (2001) propose that CSR levels will be higher in industries that are highly unionised, suffer a shortage of skilled workers, or have considerable government contracts. A substantial amount of studies show that industry has influence on the CSP-CSF relationship, and thus research in the field should be built on single industry studies (van Beurden and Gösslng, 2008). The reasoning behind industry impact on the CSP-CSF linkage can be explained through differences in contexts and social, environmental and financial concerns. However, majority of studies have been cross-sectional (Griffin & Mahon, 1997).

Wanderlay et al (2008) study of corporate websites of organisations from emerging economies also revealed that country of origin has a significant impact on CSR-related information disclosure. Thus the above three factors – firm size, industry and country of origin, should all be taken into account in future research.

As seen from the above research findings, it does pay for organisations to engage in socially responsible activities. There is empirical evidence in proof of the positive linkage between corporate social performance and financial performance. Significant differences have been determined between different size and industry organisations, and across different national contexts.

**CSR practices in the chemical industry**

Government regulations are often inefficient, thus private regulation, or industry self-regulation, has been considered a new possibility for solving environmental problems. Industry self-regulation is a voluntary joining of organizations together that is aimed at regulating collective actions by establishing a standard code of conduct (King and Lenox, 2000). In principle such initiatives qualify for CSR policies and practices, as they are in line with the fundamental CSR principles – voluntarism and integration of social and environmental concerns in business operations and interactions with stakeholders’ environmental concerns (as CSR is defined by European Multistakeholder Forum on CSR (2004)), where instead of acting privately organisations opt to jointly develop and follow some conduct standards.

The initiative, however, has not only strong proponents, but critics too. The former argue that industry self-regulation may institutionalise environmental improvement, while the latter maintain that such initiatives are impossible without sanctions and may lead to opportunistic behaviour among members (King and Lenox, 2000). However, should industry self-regulation be categorised under CSR, the introduction of any kind of sanctions would in principle contradict the very idea of CSR and its underlying idea of voluntarism. Research on industry self-regulation is still scarce, thus this paper will contribute by looking into such initiatives in the chemical industry, which since Bhopal disaster has had a great share of unfavourable public opinion and is extremely sensitive to environmental, health and safety issues.

In the chemical industry responsible organisations commit themselves to the avoidance of harm to people and environment by joining Responsible Care (RC). Responsible Care is the chemical industry’s global voluntary initiative under which companies, through their national associations, work together to continuously improve their health, safety and environmental performance, and to communicate with stakeholders about their products and processes. It is noteworthy that Responsible Care is the world’s leading voluntary industry initiative. So far 53 associations have signed up the initiative, which entitles members to best practice sharing, mutual support and experience sharing between participating countries. In respect to the organisational representation in the initiative, it can be said that all leading European chemical producers, who cumulatively account for 80 per cent of sales have joined it; however, this makes only 20 per cent of companies within the industry. In Lithuania, RC supporters account for about 30 per cent of the national association members; however, this makes only about 7 per cent of the overall chemical product manufacturing and distribution industry.

What motivates organisations from the chemical industry join Responsible Care? Findings of an empirical study on organisational participation in Responsible Care in the US revealed that larger companies, those with better-known corporate names, dirtier companies (with higher average pollution levels), and companies from dirtier sectors would more often be found among the initiative membership (King & Lenox, 2000). Thus it can be inferred that organisational motivation for RC membership stems from what Schoemaker et al (2006) have named as risk and world-view orientation on CSR, as it is aimed at preventing reputation damage and reflection on the organisation’s position in society. In respect to RC membership effect on environmental performance, research findings showed that RC members were improving their
environmental performance more slowly than non-members (King & Lenox, 2000). However, these results should be considered with caution, as they do not allow asserting a negative impact of RC membership on performance, and further research should be carried out to uncover the reasons of those findings.

**Empirical research of Lithuanian chemical industry**

CSR policies and practices are not widely developed and employed by organisations in Lithuania yet (Kovaliov et al, 2009; Pučėtaitė, 2009). Besides no prior research on either individual or industry CSR initiatives - Responsible Care, has been carried out, thus this research is exploratory and is aimed at getting some deeper insights into CSR drivers and outcomes in the industry. Respectively, a qualitative research method – a semi-structured interview, was selected for this research. Another reason for choosing a qualitative research method was a very small number of Lithuanian organisations that support the Responsible Care initiative, which would have been insufficient for any generalizations or sophisticated statistical analysis of quantitative data.

Research data was generated by means of interviews with three managers. Respondents were sought from chemical industry organizations that have joined the Responsible Care initiative. Interviews were held with each respondent separately and lasted approximately one hour. A list of specific questions on topics related to CSR drivers and outcomes was designed prior the research. The interviews were designed to explore such themes as (1) motives for joining the Responsible Care initiative and for acting socially responsibly on the whole, (2) stakeholder groups that SCR activities are mainly aimed at, (3) organizational outcomes of CSR and RC practices, and (4) RC member activity monitoring and control by the association and/or other external bodies.

When asked about the motives that encouraged them joining Responsible Care, the respondents indicated that RC is a private initiative referring to a wide array of issues. Organisations voluntarily undertake to adhere to certain principles in the chemical industry and related activities such as warehousing, transportation, etc. Among the motives for joining the RC initiative, the main driver is perhaps an organisational concern about the negative public image of the chemical industry, which according to findings of various surveys is one of the lowest in Europe, falling behind even that of nuclear power organisations. On the other hand, chemical products make a concurrent part of our everyday life. The consumption of chemical products is growing rapidly. The management of this situation necessitates changing the public opinion. In order to do that, organisations within the industry have to start from themselves.

Respondents also referred to Responsible Care as a specific quality management standard. Sometimes, in their opinion, it is quite difficult to draw a clear line between Responsible Care initiatives and, for instance, ISO 9001 or ISO 14000.

Speaking of the stakeholder groups that CSR and RC policies and practices are mainly aimed at in the chemical industry, the respondents underlined that the danger of the chemical industry lies not in its production, but ignorance of appropriate and safe ways of usage. Therefore, Product Stewardship, where everyone involved in the lifespan of the product has to take up responsibility to reduce the environmental impact, is highly relevant in the chemical industry. Thus everyone in the chain starting with the producer and ending with the end user of the product should act in a socially responsible manner and bear their share of responsibility.

None of the respondents admitted gaining direct financial gains from their engagement in CSR and RC practices. In respondents’ opinion, such activities incur extra costs, especially higher labour costs. This to some extent may probably account for a rather low organisational involvement in the activities of RC initiative in the country. However as already mentioned the low public opinion of the industry calls organisations for CSR actions.

Finally, the respondents admitted that their RC activities are not controlled by the national association. Respondents admitted that they do not support the idea of CSR practice controlling and monitoring. Should third-party audit be introduced, as it is widely discussed in multiple countries, the underlying principle of voluntarism in joining Responsible Care and acting responsibly would be violated and engagement in its activities would mean meeting certain standards and indicators.

**Conclusions**

Research overview revealed that organisational engagement in CSR activities is driven by a number of motives, such as strategic, or commercial, ethical, or moral, and altruistic, or philanthropic, causes. Besides, organisations pursue CSR activities to meet expectations of their multiple stakeholders. Respectively CSR
activities addressed at different stakeholders might vary. Differences are also encountered in different size organisations, across industries and national contexts.

Speaking of the Lithuanian chemical industry, it can be said that respondents mainly refereed to the strategic motives for engaging into CSR, or RC initiative, which is mainly aimed at the enhancement of corporate, or even industry at large, image. However, as only a small number of chemical industry organisations in Lithuania support the Responsible Care initiative, it can be presumed that they are driven to act socially responsibly not only by strategic (corporate image enhancement), but moral, or ethical motives too. Corporate and managerial values may play an important role here too. Taking into consideration the low public opinion of the industry the fact that the greater majority of organisations do not support the Responsible Care initiative indicates that they do not even perceive the strategic, or commercial, relevance of CSR. These findings are congruent to those from other industries in Lithuania (Kovaliov et al, 2009; Pučėtaitė, 2009).

As already mentioned, this was the first attempt to look into CSR policies and practices in the Lithuanian chemical industry and it included only a small fraction of the industry, which though allowed to better understand organisational motives for supporting Responsible Care initiatives can also be viewed as a limitation, for it does not provide an overall CSR picture in the industry. Therefore further research in the industry that would include both RC supporters and non-supporters is necessary.

A closer look into the chemical industry initiative (Responsible Care) and its juxtaposition with the CSR concept shows that RC clearly falls under the latter; however the very CSR concept is broader than RC initiatives. Responsible Care is mainly driven by strategic and ethical motives. Its emphasis on the product stewardship indicates that RC initiative is addressed at multiple stakeholder groups from the producer to the end user. What is missing here is one of the CSR motives, i.e. altruistic, or philanthropic, concerns about social or environmental problems. Nevertheless, this by no means precludes RC followers from doing that. On the other hand, Responsible care expands the CSR concept too, as in addition to individual and corporate responsibility it adds yet another level of control, i.e. industry.

References


