Model of Company’s Social Sustainability

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Abstract
Due to an excessive focus towards economic and environmental dimensions, sustainable development loses the essence of holism. Establishing long-term business success requires effective social activities which are of equal importance as economic ones. In the past the tendency of businesses that were avoiding participation in active search of solutions of social problems was justified by the lack of resources and competences in the social field. However, the idea of creating a shared value has proved that solving social problems is financially beneficial for businesses. Yet the social dimension has not been defined distinctly, and its content has not been clearly expressed. As a consequence, companies struggle to identify the content and tools of the social dimension themselves. The aim of this article is to create a model for the social dimension of enterprise sustainable development and to develop an indicators system available for quantitative assessment of the social dimension. The result of the research carried out was the critical evaluation of scientific publications, the content of the social dimension of sustainable development was analyzed. A hierarchical system of indicators has been developed for quantitative evaluation using Pareto’s rule and a model for the social dimension of sustainable development of the company was created.

Keywords: social dimension of sustainable development, model of the social dimension, set of indicators, Pareto’s rule, holistic approach.

Introduction
Sustainable development is a holistic concept that involves three-dimensional interaction. The social dimension of sustainable development is analyzed in a rather laconic manner in research, identifying it alongside economic and environmental dimensions. Seventeen goals have been raised in Sustainable Development Agenda up to 2030, six of them directly relate to the solution of social problems in the world. This is a significant justification of the relevance of the social dimension. The list of objectives begins with the commitment to eliminate all forms of poverty, hunger, to ensure healthy lifestyle, quality lifelong education of equal quality, gender equality, and reducing inequalities between countries (Transforming Our World, 2015). Putting these goals on top of the list demonstrates their relevance for sustainable development worldwide. However, set goals can only be achieved by joint efforts of all members of society. Businesses avoiding to participate in solving social problems have been justified for a long time. A well-known American economist, Friedman (1970), states that the only responsibility for business is to maximise their profit, and business has no resources and competences to solve social problems. The situation has essentially changed when Porter and Kramer (2011) announced the idea of creating a shared value, proving that solving social problems can be financially beneficial for businesses. Therefore, the objectives set on the agenda are important for the purpose of sustainable development at the micro (enterprise) level. Dyllick and Muff (2015) notice a “big disconnect” between micro-level progress and macro-level deterioration. More and more business executives agree that sustainability-related strategies are necessary to maintain competitiveness today and even more so in the future. The increasing number of executives reports that their organizations’ commitment to sustainability has increased in the past and will
The article is arranged in two sections, the first one provides a description of the origins of proposed model, explaining the identification of four key components of social sustainability. The second part of the article presents the identification of the set of social sustainability indicators for quantitative evaluation.

Research methodology

In the article, the analysis of scientific literature was carried out with the help of a descriptive method. The methods of cognitive analysis and synthesis were applied to analyse various approaches and research results. The relevant articles about social sustainability were collected according to the following criteria. First of all, science databases (Clarivate Analytics, Scopus, ScienceDirect, Taylor & Francis, Emerald) were used to conduct a systematic review of the academic literature. The search was carried out using the following keywords: “social dimension”, “social dimension of sustainable development”, “indicators of social dimension”, “assessment of social dimension”. The selection of articles was limited to journals or proceedings that have been published between 2010 and 2018, and focused on company’s social sustainability. Only original studies were selected for this analysis. Secondly, all selected articles were carefully reviewed and analyzed in order to identify the components of conceptual model of company’s social sustainability and indicators. Lastly, Pareto charts were developed to determine the indicators that have been frequently discussed in the academic literature. The most frequent social sustainability indicators were determined using Pareto rule. Indicators that failed to comply with this rule from the far-reaching investigation were eliminated as too subjective. The research methodology is presented in Figure 1.

Fig. 1. Research methodology (composed by the author)

Development of Model of the Social Sustainability

The content of the social dimension both macro and micro is differently interpreted in scientific publications. The studies focus too much on the economic and environmental dimensions and studies of the social dimension are not sufficiently comprehensive. The social dimension is not clearly defined, and its content is not distinctly expressed. Garbie (2014) analyzed 130 scientific publications and identified five aspects of social dimension: Work Management, Human Rights, Societal Commitment, Customers Issues, Business Practices. According to Garza (2013), the content of the social dimension includes job satisfaction, the maintenance of skilled labour, cooperation with the government,
communication with stakeholders and the local community in which the company operates. The critical evaluation of academic literature (Callado and Fensterseifer, 2011; Koecmanova and Simberova, 2012; Velea et al., 2012; Durdević et al., 2013; Singh et al., 2013; Kinderytė, 2013; Taylor, 2013; Butnariua and Avasilcai, 2015; Yeo, Tjandra and Song, 2015; Oertwing, Wintrich and Jochem, 2015; Edgeman et al., 2016; Hasan et al., 2017; Huang and Badurdeena, 2017; Drucker, 2017; Husgafvel et al., 2017; Shaaban and Scheffran, 2017; Longman, 2018) allows to determine the key components of the model of social dimension. The most relevant components of the model related to the social sustainability are presented and discussed in the following sections.

**Employees and labour practices**

Drucker (2017) states that a company is really its people their knowledge, capabilities, and relationships. According to Potelienė and Tamašauskienė (2015), knowledge, experience, acquired skills, inherited abilities, attitudes, behaviour, creativity, entrepreneurship, and health refer to the concept of human capital. The authors state that the quality of society’s life is determined by investment in people and their knowledge. Investments in education and training determine skills and abilities, that lead to an increase of individual’s income and productivity of the company. A higher level of education in society reduces social fragmentation, crime rate and extends life expectancy. Survey carried out in 2017 within 250 global companies has shown that investing in human resources is financially beneficial for businesses and employees. Companies that invest in employees increase its profit 4.2 times, profit per employee 4, earnings per employee - 2.8, and average revenue - 2.1 times (Harvard Business Review, 2017). In the context of the Fourth Industrial Revolution, investment in employees is essential for the development of advanced technologies and the efficient use. Drucker (2007) states that in the 20th century the wealth of business company was equipment of manufacturing, and in the 21st century it is intelectual workers and their productivity. Company’s employees become an intellectual property of the company and the engine of economic progress. But reseach carried out in the United States shows that the proportion of people who received employer-funded training decreased from 21% in 2001 to 15% in 2009 (the most recent data available). It is obvious that companies want their employees to learn and grow, but in practice they are skimping on. That means a lot of people who want to become better at their jobs are fending for themselves. Organizations could change that and offset the drop in formal training by encouraging and supporting enrollment in massive open online courses (MOOCs) which are readily available and relatively inexpensive on platforms such as Coursera or EdX (Hamori, 2018). Gunlu et al. (2009), Edgeman et al. (2016) note that job satisfaction is a key factor in maintaining high productivity and efficient customer service, which directly increases the productivity of the company. Unsatisfied employee is a non-productive one, so it is important to know what determines employee’s satisfaction in the organization. Berings et al. (2004) notes that employees are more motivated and satisfied when their values and organization’s values matches. There is a strong correlation between commitment to organization and job satisfaction. The more employees are dissatisfied with their work, they are less committed to the organization, and they are more likely to look for opportunities to change jobs. Companies are faced with the issue of personnel change. On the one hand, new employees become involved in the organization’s activities, bringing new ideas and experiences. On the other hand, it is an additional cost to the company to train new employees. Numerous studies in recent years have related to the status of women. A review of the status of women leaders within politics and the business sectors around the world shows that only 22.7% of parliament positions and 9% of CEO positions were held by women (Longman, 2018). Author has emphasized the importance of having greater diversity in leadership, and specifically for greater representation by women in business leadership. Women’s participation in business leadership is critical for wise decision-making and for other numerous financial and organizational culture reasons. According to literature review, a component of employees and labour practices needs to be included in the company’s social sustainability model.

**Employees’ health and working condition**

According to Callado and Fensterseifer (2011), Taylor (2013), Butnariua and Avasilcai (2015), Shaaban and Scheffran (2017), a work-friendly environment today is understood as ergonomic workplaces, advanced technologies, safe and healthy environments, flexible work schedules, work-friendly microclimate, gender equality, respect for human rights, etc. The standardized management system OHSAS 18000, the social responsibility standard SA 8000, the ISO 26000 guidelines help companies to achieve sustainable development, but are often criticized for being overly complex
and requiring additional resources for their implementation (Durdević et al., 2013, Kinderytė, 2013). SA 8000 (Social Accountability 8000), based on the International Labor Organization (ILO) conventions, the Universal Declaration of Human Rights, United Nations conventions and international agreements, set out the requirements for ethical employment practices. The standard OHSAS 18000 regulates work safety. The ISO 26000 guidelines highlight seven spheres that contribute to sustainable development. Summing up, the component employee health and working condition is significant and needs to be included in the social sustainability model being developed.

**Communication with customers**

Pursuing and maintaining a good stakeholder orientation and social performance reputation is becoming a necessary part of business. According to stakeholder theory, customers are one of the company’s stakeholders (Freeman, 2010). On the one hand, companies are responsible for meeting the expectations of their stakeholder groups. On the other hand, customers and consumers obligate the organization to act responsibly. An organization guarantees to provide consumers with high quality services and this determines not only a better financial performance of the organization but also employee’s quality of work and business sustainable development of the organization. An enterprise’s purpose begins with the customer who determines what a business is, what it produces, and whether it will prosper. The customer is no longer a passive receiver of products but is engaged in designing and refining them (Drucker, 2017). Drucker (2017) suggests that management can make the relationship that force the organization to understand what the customer values. Managers must determine which needs of a customer in target market are unsatisfied and then further determine whether they can step up to provide value. Value is based on ability to connect with the customers and know more about their needs and desires than they can articulate.

Customer satisfaction depends not only on quality of goods but also on creative problem solving and how quickly and effectively options and solutions are presented.

**Communication with community**

Companies are not limited to job creation and tax payments, but more often engage in social activities and addressing social challenges. Businesses exist to deliver value to society. In this context companies should be interested in the health of the population, appropriate education and good relations with the local community, since most of the employees in the company are from a local labour market. Veleva et al. (2012) argue that the companies have resources and are capable of taking responsibility. Internal and external communication helps to effectively manage and involve employees in social activities. More and more of the executives of the company recognize the benefits of such involvement and the ability to attract and retain talented employees. In particular, there is some pressure on the part of employees. Employees of current generation want to work in a company that fosters solid values and is not afraid of obligations to the public. Veleva et al. (2012) explored the benefits of employee volunteering to business. The study revealed that employees involved in volunteering are more satisfied with their work, are more proud of their organization, believe in the mission of the organization, and have a higher morale. In addition, the study showed the positive impact of volunteering on the company’s performance. Porter and Kramer (2011) highlighted the business dependence on society, which means that both business decisions and social policies must be in line with the principles of shared value and must be mutually beneficial. According to Michelini (2012), this kind of business model can offer a company new opportunities for responsible business conduct while at the same time it creates economic and social value. It shows that business can play an important role in eradicating poverty in society. According to Schmitt (2013), the creation of a shared value is closely linked to sustainable development. At company level, shared value increases employee’s productivity in the value chain. At the community level, companies take into account the needs of society in order to better adapt products and services to customer needs. Yunus et al. (2015) also recommend companies to participate in solving social problems. This activity should not be financially harmful, but profit must be reinvested in the business rather than returned to the shareholders of the company.

Social issues can also be addressed by social innovation. Contemporary successful businesses exist to deliver value to society. Social innovation is the development and implementation of new business models to meet social needs, social goals and create new social relationships in society. The concept of social innovation is relatively new, although this sphere employs about 40% of start ups in different parts of the world. While societal development in the nineteenth and twentieth centuries was driven by technological progress and economic dogmas, the twenty-first century must give rise to social
innovation to encourage societal and systemic changes (Grimm et al., 2013). Social innovation may refer as a resource for creativity, learning and skilling, knowledge exchange and capacity-building to make organizations resilient to rapidly changing external environments. Social innovation is the development and implementation of new products, services and business models to meet social needs, social goals and create new social relationships in society. Michelini (2012) founds that modern companies combining three concepts – Shared Value, Tripple Bottom Line, and Corporate Social Responsibility can successfully develop activities in low-income markets and at the same time help to address social problems such as poverty reduction. Kramer and Pfitzer (2016) argue that if business could support social progress in every region of the world, poverty, pollution and disease would be reduced, while corporate profits would increase. In recent years, the application of the concept of shared value has become imperative for companies as they seek new economic opportunities to gain confidence of the public. Society and Business are Interconnected Systems (Schmitt, 2013). Companies operate in the community, not outside it. Kramer and Pfitzer (2016) propose a new concept called Collective Impact. The essence of collective impact is that social problems come from uncoordinated actions by “players” in all sectors. Therefore, they can only be solved by joint efforts of business, government, charity organizations and society.

After analyzing and critically evaluating the methodological potential of the social dimension, a model of the social sustainability was developed (see Figure 2).

Fig. 2. Model of social sustainability of the company (composed by the author)

The model consists of four components of the social dimension including employees and labour practices, work safety and employee health, communication with customers and local community. According to the authors, the under-utilization of the opportunities offered by the social dimension reduces business development opportunities. Social dimension of sustainable development reflects the company’s attitude towards the stakeholder: employees, service providers, contractors, clients, as well as the impact on the whole society. Effective social activity is important for long-term business success. Objective and measurable indicators are needed to assess the company’s activities in terms of socially sustainable development. In a further study, it is necessary to identify and elaborate indicators
that are suitable for quantitative assessment of the results and for management decisions.

**Development of the indicators system**

It is not enough to know the content of the social dimension in order to achieve sustainable development. It is necessary to have tools to measure the result achieved and to anticipate further changes. For evaluation purposes, it is necessary to distinguish indicators that are appropriate and reflect the purpose of the assessment. Ginevičius (2009) argues that it is not quantity that is important in the selection of indicators, but indicators should cover all the most important aspects of the phenomenon under consideration. Often companies are tracking too many indicators that “require a lot of resources but are unproductive” (Stainer 2006). Too many indicators need to be reduced and structured. The number of indicators in the groups must be such that they can be evaluated and analyzed. Hasan et al. (2017) advise on what should be avoided by developing a system of indicators. Firstly, the indicators may not be correctly selected, and therefore there is a risk of a mistake in management decisions. Secondly, the selected indicators can only be applied to a specific business sector, as in other sectors they may not be effective. Different methods are used for the selection of variables. Garbie (2014) suggests, for each dimension of sustainable development, a comprehensive analysis of scientific literature to form indicator groups: to select a certain number of measurable indicators for each group and to compile a list of the most frequently occurring indicators and to compile a mathematical model in this list and calculate the index for sustainable development of each dimension. Hasan et al. (2017) suggest the use of scientific literature and Pareto’s rule for the selection of indicators. The authors recommend to carry out analysis of selected scientific articles according to the relevant keywords from the scientific publications of the databases and to create a list of indicators. In the next stage, the most commonly recurring indicators are selected according to Pareto’s rule. Shaaban and Scheffran (2017) also recommend to eliminate indicators with a recurrence rate of less than 20 percent in selected scientific publications, as these indicators are usually subjective.

Hasan et al. (2017) recommend the use of standardized indicator systems such as the Global Report Initiative (GRI), the Dow Jones (DJSI), the Organization for Economic Co-operation and Development (OECD), the United Nations Commission on Sustainable Development (UNCSD). Standardized systems include a huge number of indicators and can not always be applied in practice. Husgafvel et al. (2017) also recommend to review the quantitative characteristics of key global initiatives (such as the UN Global Compact and the Global Reporting Initiative GRI, ISO 26000, the Dow Jones Index, RobecoSAM) and relying on existing corporate governance practices in Sustainable Development, as outlined in the Corporate Performance Report. In this way, the core indicators would include all internationally recognized systems for assessing sustainable development. Sustainable development is a process of continuous improvement, and the formed indicator system helps to monitor this process and assess compliance with the goals set. Table 1 provides the lists of indicators, frequency of their recurrence and confirmatory sources based on the analysis of scientific literature.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Source</th>
<th>Frequency of recurrence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security (support for poverty, old age, disability, unemployment)</td>
<td>Garbie (2014), Vevelka and Ellenbecker (2001)</td>
<td>2</td>
</tr>
</tbody>
</table>
Table 1 shows 27 indicators identified as a result of research. As the number of indicators is high, structuring needs to be deepened. The Pareto rule is applied in the next step to select the appropriate indicators. The code is assigned to each indicator and the further data is processed according to the Pareto-charting principles (Hasan et al., 2017), i.e. this is arranged according to the frequency of recurrences and their percentage is calculated. Table 2 shows the selected indicators with their designated codes, their frequency and the confirmatory of sources. These codes were used to represent the indicators and to show which component of social dimension they represented.

<table>
<thead>
<tr>
<th>Indicator codes</th>
<th>Indicator</th>
<th>Frequency</th>
<th>Accumulated recurrence rate</th>
<th>Percentage</th>
<th>Accumulated percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>S₁</td>
<td>Worker health</td>
<td>10</td>
<td>10</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>S₂</td>
<td>Employee turnover</td>
<td>8</td>
<td>18</td>
<td>10</td>
<td>23</td>
</tr>
<tr>
<td>S₃</td>
<td>Employee training</td>
<td>7</td>
<td>25</td>
<td>9</td>
<td>32</td>
</tr>
<tr>
<td>S₄</td>
<td>Employee involvement in local community activity</td>
<td>6</td>
<td>31</td>
<td>8</td>
<td>40</td>
</tr>
<tr>
<td>S₅</td>
<td>Working conditions</td>
<td>5</td>
<td>36</td>
<td>6</td>
<td>46</td>
</tr>
</tbody>
</table>

**Analysis of the data according to Pareto rule** (composed by the author)
Based on the Pareto charts, mathematical calculations and visualization of the final results are presented in Figure 3. The most frequent sustainability indicators that have been frequently discussed in the academic literature were determined using Pareto rule. Indicators with a frequency rate of less than 20 percentage are eliminated from the compiled list as not meeting the criteria for the selection of indicators. Based on information gathered in Table 2, Pareto charts were developed (see Fig. 3).

Social dimension indicator system provided in Figure 3 is composed of 18 selected indicators, which, due to a depth of structure are divided into four groups. The names of the groups correspond to the names of the components of the content of the social dimension identified during the analysis of the methodological potential of academic literature (Fig. 2).
Fig. 4. Indicators System of the Social Sustainability of the company (composed by the author)

The set of selected indicators of social sustainability is provided in Figure 4. Based on Table 2, the first most frequently mentioned indicator among the initial 18 social dimension indicators was S₁ (Employee health). This indicator was mentioned in 10 different articles. The second most frequently mentioned indicator was S₂ (Employee turnover) which was mentioned in 8 articles. The third most frequently mentioned indicator was S₃ (Employee training). Other indicators are employee involvement in local community activities, working conditions, etc. For future study, these indicators will be verified by experts from industries and then can be used for quantitative assessment of the social sustainability of the enterprise.

This article contributes to a clearer understanding of what the social dimension of sustainable development means in general and how it relates to company activities as well. The developed model can be used to make managerial decisions in the social field and to assess the social performance of the company in the context of sustainable development and to calculate the index of company’s social sustainability.

Conclusions

The social dimension of sustainable development is analyzed in a rather laconic manner in research, identifying it alongside economic and environmental dimensions. Academic literature review affirms that social dimension of sustainable development reflects the company’s attitude towards employees and labour practices, employees’ safety and health, communication with customers, communication with community and relations with the local community. This article focuses on company’s social sustainability. Its conceptual model as well as a set of indicators relevant for quantitative assessment are developed while contents of the social dimension are examined with regard to various approaches. The model consists of four components of the social dimension. It should be noted that the model helps to make managerial decisions in practice for enterprises seeking social sustainability.

To carry out a quantitative assessment, the system of indicators has been developed. Choosing suitable indicators for evaluation purpose is a challenge for researchers. There are risks of choosing incorrect, misused, or misinterpreted indicators which may lead to misleading decisions. On the other hand, all these selected indicators cannot simply be applied to every sector of industry because some indicators might be effective and some indicators might not. Through academic literature, 27 indicators of social dimension are listed. Each of them is clustered into four groups: Employees and Labour Practices, Employees Safety and Health, Communication with Customers, and Communication with Community. Based on Pareto rule, 18 indicators are shortlisted as highly influential indicators of social dimension and can be used for quantitative assessment of the social sustainability.
References


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**Įmonės darnios plėtros socialinės dimensijos modelis**

Santrauka


Socialinės dimensijos aktualioms atispindė Darbinis plėtrą darbotvarkėje iki 2030 m., kurioje iš septiniolikos išskelto tikslų šeši tiek tarptautinį susiję su socialinės problemų sąlygų socialinės dimensijos plėtrą pasaulyje. Tikslų sąlygų primenašajus visų formų skurdą, baug, užtikrinti visiškai gyvenimą, lygiavertį kokybišką švietimą, trunkantį visą gyvenimą, pasiekti lygių lygybę, mažinti nelygybę tarp šiaurės ir šiaurės viduje (Transforming Our World 2015). Išskelto tikslus galima pasiekti tik bendromis visų visuomenės narių pastangomis, o įmonių inde-

lis šiuo metu yra nepakankamai svarbus (Dyllick, Muff, 2015).


Pažangios įmonės, kurdamos darbo vietos ir mokesčius, vis dažniausiai įsitraukia į socialinės dimensijos viklą ir suteikia konkurencinį pranašumą, tai lemia didesnių klientų pasitenkinimą ir lojalumą.

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tvirtina, kad vis dažniau įmonių vadovai pripažįsta tokio dalyvavimo naudą įmonės ir prekės ženklo reputacija ir gebėjimui pritraukti talentingus darbuotojus, juos išlaikyti. Yunus et al. (2015), Kramer, Pfitzer (2016) teigimu, jei verslas galėtų skatinti socialinę pažangą kiekviename pasaulio regione, skurdas, tarša ir ligos sumažėtų, o įmonių pelnas padidėtų. Taip įmonė ne tik pagerintų savo finansinius rodiklius, bet ir realiais darbais prisidėtų prie socialinių problemų sprendimo.