

SOCIAL RESPONSIBILITY AS A STRATEGIC ORIENTATION OF MODERN BUSINESS DEVELOPMENT

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Abstract

The peculiarities of formulating and developing a concept of business social responsibility as one of the most important factors of strategic development have been described, the international documents regulating the enterprise activity in the sphere of corporate responsibility have been classified, the corporate social responsibility models and the role of the state in the European Union countries have been examined, the comparative analysis of US and European models of corporate social responsibility have been carried out.

The article identifies that many international corporations publish reports on corporate social responsibility, because it leads to increase company image and business reputation. Nowadays, the most developed countries in the world have joined international commitments in the area of corporate social responsibility.

It was investigated that the corporate social responsibility has become a key business ideology, a basis of social partnership with governments and civil society over the past two decades. The study showed that Ukraine does not use a number of CSR practices that have become common in Europe such as the cultural specificity of the consumer, social product labelling, consumer feedback, providing information on the product quality and safety, product life-cycle assessment, environmental monitoring, and avoidance of genetically modified products. Therefore, the article proposes a number of measures aimed at improving the corporate social responsibility in Ukraine.

Study results have been determined that for those companies that have a good track record for responsible behaviour in the developed countries, the social responsibility is one of the main factors of good business reputation, which enhances investment attractiveness of the company, promotes recruitment and retention of highly qualified employees, increases productivity, supports brand awareness, and creates positive opinion about company's products.

Keywords: corporate social responsibility, sustainable development, partnership, training policy, corporations, European Union countries.

INTRODUCTION

Business development in Ukraine, as well as business integration into the world economy, set new business requirements and tasks and revitalize corporate social responsibility. It is known that a business is a part of society, and therefore it determines both quantitative economic indicators and economic health of the nation, as well as improves physical, spiritual and social environment that is, acts socially responsible. Corporate social responsibility is an integral part of the EU Member States' social policy, aimed at ensuring high standard of living, increasing employment, reducing income inequality, enhancing social protection and reducing poverty.

RESEARCH RESULTS AND DISCUSSION

There are many definitions of corporate social responsibility (CSR). Investopedia defines the corporate social responsibility as “self-regulating business model that helps a company be socially accountable – to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society including economic, social, and environmental” [4]. In the Electronic Cambridge Dictionary, we may find that “A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship through their waste and pollution reduction processes, by contributing educational and social programs, and by earning adequate returns on the employed resources” [3].

Researchers realise its suitability to serve as a viable area or field of interest for academic research [12]. The managers are using it as a tool to strategise, comply with regulations and maintain set standards, build corporate reputation and get more customer loyalty which all culminates in increasing profitability and overall attainment of organisational objectives. CSR research is centred on practical analysis and assessment of CSR in relation to the impacts it creates on organisational performance. Theoretically, it explains the change from altruistic base to strategic or instrumental base for achieving sustainable development [9].

CSR has gained an institutional status for regulators because of its linkage with compliance to law and ethical practices. CSR has acquired different meanings over time and combined some features or characteristics making it to represent set of obligations, responsibilities, stakeholder rights, and all forms of philanthropic activities [11]. The area defined by advocates of CSR increasingly covers a wide range of issues such as plant closures, employee relations, human rights, corporate ethics, community relations, fair market operations and the environment. Business only contributes fully to society if it fulfils its economic responsibilities to stakeholders and is socially responsible. The objective of CSR is to build sustainable growth for business in a responsible manner [13].

According to our considerations, the corporate social responsibility is an impact of company' activity on society or way of doing business, which is based both on understanding and serving the most significant interests of society and on not causing harm to society through its activities.

The Governance & Accountability Institute (G&A) research team determined that eighty-six percent (86%) of the companies in the S&P 500 Index (500 large-cap companies operating in the capital markets) published sustainability or corporate responsibility reports in the year 2018 [1]. This research effort marks G&A Institute's eighth annual monitoring and analysis of sustainability responsibility reporting (Figure 1).

The analysis confirmed that entering 2019, just 14% of the S&P 500 declined to publish corporate responsibility and sustainability reports. In addition, the number of reporting corporations is increasing annually

Over the past two decades, CSR as a corporate governance strategy has become a key business ideology, a cornerstone of social partnership with government and

civil society. The foreign experience in the field of corporate social responsibility shows that CSR activities and CSR reporting contribute to business efficiency through improving image and business reputation, increasing capitalization and investment attractiveness, promoting sustainable national development.

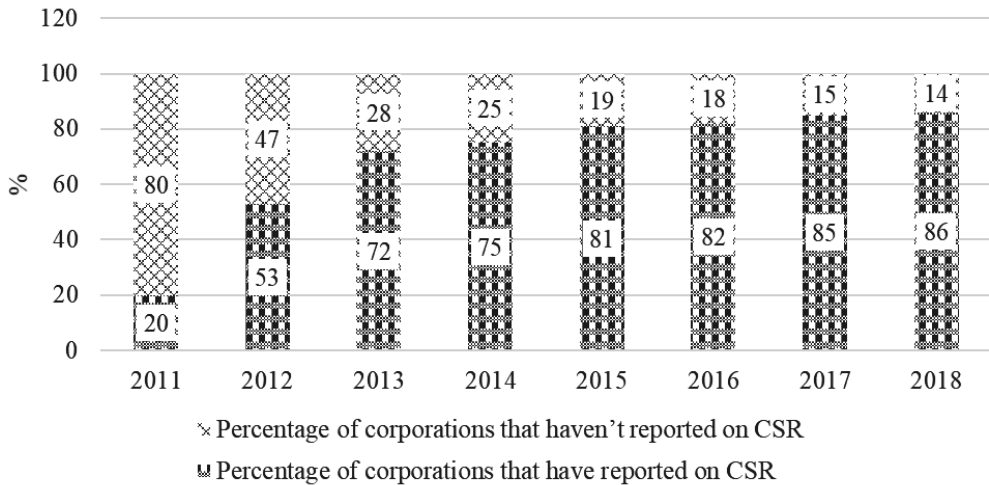


Figure 1. Trends of S&P 500 sustainability reporting over the last eight years

Nowadays, the most developed countries in the world have joined the international commitments in the field of sustainable development and corporate social responsibility. The main international documents are shown in Table 1.

Therefore, the first group includes those international documents that set out general principles and requirements for corporate social responsibility. At the same time, the most of them are declarative and do not provide with company' external audit to confirm adherence to the principles established by the international documents. Some of documents include provisions that require companies to self-report on CSR achievements (for example, companies that are subscribed to the Global Compact) and thus provide official or informal control. The second group covers the international documents containing clear requirements for company management and certification to the standards including the initial assessment, implementation and subsequent monitoring of certification requirements. Compliance with these requirements helps to extend the corporate social responsibility principles to enterprise life cycle and increases the overall level of stakeholder trust. The third group consists of international documents developed by various investment funds for the corporate social responsibility assessment. The content of these documents varies greatly depending on the fund. The fourth group consists of international documents that set out general requirements for accounting and reporting. These documents do not contain clear obligatory rules, but only define common rules for building stakeholder relationships.

Table 1. Classification of international documents regulating company activity in the field of corporate responsibility

| Main groups of international documents in the field of CSR | Title of international normative documents |
|--|--|
| Group 1. International documents defining general principles and requirements for company activity in the field of CSR | UN Global Compact |
| | Global Sullivan Principles |
| | Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises |
| | ECCR / ICCR Principles for Global Corporate Responsibility: Benchmarks |
| | Caux Round Table Principles for Business |
| Group 2. International documents containing requirements for environmental management and certification | Social Accountability 8000 |
| | International Organization for Standardization ISO9000, & ISO 14000 & ISO 26000 |
| | Forest Stewardship Council's Principles and Criteria for Forest Management |
| Group 3. International documents concerning Corporate Social Responsibility Assessment | FTSE4 Good Selection Criteria |
| | Dow Jones Sustainability Group Index |
| Group 4. International documents defining common accounting and reporting requirements | AccountAbility 1000 Series |
| | Global Reporting Initiative Guidelines |

Source: [14]

Reputation Institute's research revealed that Microsoft, Google, Walt Disney and BMW are the corporate social responsibility leaders. It should be noted that Rolex took first place in the social responsibility rating in the third quarter in 2019. Rolex has been one of the top 10 most reputable companies in the world for four consecutive years. The brand has a unique ability to connect its products to the company and trigger emotions to its stakeholders by anchoring its values in high-profile personalities. The Lego Group is on the top 10 list of the most reputable companies in the world for the third year in a row. The Danish brand already has a steady and strong presence as it builds a coherent story-line with its values of sustainability, education and societal contributions [5]. The company achieved these results by reducing the carbon footprint, decreasing packaging size and using wind power.

In general, investments in CSR have been increasing in the world. Total investments in CSR in the EU has accounted for 15 million dollars in recent years. Impact investing and Corporate Social Responsibility (CSR) have much in common. Both are founded on a belief that business can be used to affect positive social and environmental change. Both use market mechanisms and harness business expertise, though in different ways. And both are reflections of a global trend for aligning the goals of enterprise and with the needs of society [7]. CSR investment can be

beneficial for staff development and training, local governments, environmental protection, development of science, education and technology, as well as for aligning company activity with global industry standards. At the same time, an institutional support for CSR is a key to rapid spread of CSR practices in Europe. Corporate social responsibility has been assimilated into business practice through joint efforts of governmental bodies, public and scientific organizations, and businesses in EU countries.

There are four types of national corporate social responsibility policies in the EU countries, such as: 1) partnership (Scandinavian model); 2) business in the community (British model), 3) sustainable development and society (model of German-speaking countries and France), 4) Agora (Mediterranean model) (Table 2).

Table 2. Models of corporate social responsibility policy in the EU countries

| Models | Characteristics | Countries |
|---|--|---|
| Partnership | Partnership is a joint strategy of governments at different levels to address social and employment problems. This model emphasises on transparency of CSR information and business activities, as well as on implementation and imitation of the best CSR practices. | Denmark, Finland, Netherlands, Sweden |
| Business in the community | A soft intervention policy that encourages business involvement in governmental actions aimed at community and private sector development (through entrepreneurship, volunteer services, staff development, start-ups, investments in depressed cities and rural areas) | Ireland, United Kingdom |
| Sustainable development and citizenship | It's an improved version of current social agreement emphasizing on sustainable development strategies and corporate citizenship. It aims on supporting sustainable development through regulatory policy and governmental support. | Germany, Austria, Belgium, Luxembourg France |
| Agora (a public open space used for assemblies) | One of a key element of the agora model is creation of committees and working groups with the participation of all the social actors (multi-stakeholder approach) to develop the national CSR strategy. Although key elements of the agora model are still at an early stage, others – such as Italy – have recently begun to consolidate their CSR public policy. | Italy, Spain, Greece, Portugal |

Source: [2]

This typology points at convergence between government policy and real actions for corporate social responsibility development in the European countries, and national corporate social responsibility policies and the actors involved.

Given the significant differences in understanding of corporate social responsibility among contemporary scholars and entrepreneurs in Europe and the United States, driven by historical, cultural and social characteristics, scholars now identify three major models of corporate social responsibility, namely American, Japanese and European. It should be noted that the European model is divided into

corporate social responsibility models of continental Europe, the United Kingdom and the Scandinavian countries.

Comparative analysis of national corporate social responsibility models is shown in Table 3.

Table 3. Comparative analysis of US and European corporate social responsibility models

| Differences | American model | European model | Asian (Japanese) model |
|-------------------------------|--|--|--|
| Features of the environment | Individual approach | Collective approach | |
| The purpose of the enterprise | Maximizing shareholders' income | Achieving strategic goals with stakeholders' interests in mind | Income is a secondary goal; social unity and respect for each individual worker and society as a whole is a primary goal |
| Encouraging motives | The personal desire of the manager / owner of the enterprise, guided by their own moral principles | Social requirements of society | |
| The main participants | Enterprises | Businesses, state authorities, trade unions and professional associations of workers, members of local communities | |
| Regulatory documents | Internal Code of the enterprise | Legal and regulatory acts, internal codes of companies | |
| Basic methods | Charity activities | Activities defined in legislative acts | Implementation of internal business support programs for employees |

Source: [10]

Thus, it is worth noting that the CSR models in Europe and the USA have a number of differences related to public perception, corporate structure and culture, and legal environment in these countries. This emphasizes the fact that it necessary to use adapted standards in the field of CSR and develop commensurate indicators to measure the sustainable development effectiveness.

In addition, the post-Soviet CSR model should not be ignored. This model based on the legacy of socialist enterprises with socially-oriented infrastructure such as kindergartens, summer camps and boarding houses, own hospitals, houses of culture, etc. that were used by all employees of the enterprise and their families. This infrastructure was not built as a concern for social responsibility, but as Party policy aimed at satisfying all social needs and carrying social costs by an enterprise. That is why under the post-Soviet model, the corporate social responsibility was not considered as a specific type of activity, but was merely manufacturer' activity.

The conducted research shows the high level of business social responsibility in the European Union countries, the USA and Japan as the result of long-lasting state policy aimed at realizing the entrepreneurs' awareness and their role in the socio-economic development of society. Social responsibility in these countries is seen as a new progressive way of doing business that promotes the socio-economic development of the country, reduces confrontation between social partners and ensures sustainable economic development.

Nowadays, it's difficult to introduce one of the foreign CSR models in Ukraine, but it is also impossible to use the post-Soviet CSR model, because the social infrastructure of enterprises has been lost [8]. Ukraine has specific economy, mentality of society, different business opportunities and material resources. It means we have to develop own CSR model taking into account mistakes and achievements of foreign colleagues.

Promoting CSR in the EU countries shows that a spread of socially responsible behaviour among enterprises depends to a large extent on effective state regulation. One of the most important state regulation instruments is clearly enshrined incentives in the legislation. The authorities perceive the business social responsibility quite one-sidedly as the "social partnership", "social dialogue", or "charity". As a result, there are a lack of public authorities support for social programs and projects of enterprises, the absence of an open dialogue on the appropriate incentives for business that seek at implementing the social responsibility principles.

The study showed that Ukraine does not take into account a number of CSR practices that have become common in the Europe such as cultural specificity of the consumer, social product labelling, consumer feedback, providing information on the product quality and safety, product life-cycle assessment, environmental monitoring, and avoidance of genetically modified products.

In order to spread the CSR practices in Ukraine, the Centre for Corporate Social Responsibility Development was established, whose members are well-known both Ukrainian companies and foreign companies operating at the Ukrainian market. The objective of the organization is to implement social responsibility (sustainability) projects for systemic and qualitative changes in Ukraine. The organization has 4 priority areas: CSR in conflict times, business-universities-schools cooperation, sustainability of municipalities and state-owned companies, green initiatives CSR. The Centre conducts a study on the CSR development in Ukraine tracking the success of Ukrainian companies in the field of CSR, as well as CSR problems and obstacles for several years [6].

Ukrainian business defines corporate social responsibility in its own way. Majority of the respondents (76%) agreed that social responsibility deals with improving working conditions to promote worker safety. One third of the respondents agreed that social responsibility deals with investments in regional development and consumer protection and support. A quarter of respondents reported that assistance to ATO soldiers and ATO area residents, charitable assistance and environmental protection refer to CSR. Minority of respondents think that social responsibility deals with the fight against corruption and assistance to displaced people.

The most common areas of development for CSR activities in Ukraine according to paper are:

- staff development and training policy, and working conditions policy (76% of survey respondents);
- charity (51% of survey respondents); although CSR is no longer associated with charity, but it deals with investments in the development of local community or region;
- assistance to ATO soldiers and ATO area residents (30% of survey respondents).

According to the paper [6], the main driver for the CSR policy implementation is moral consideration (Figure 2).

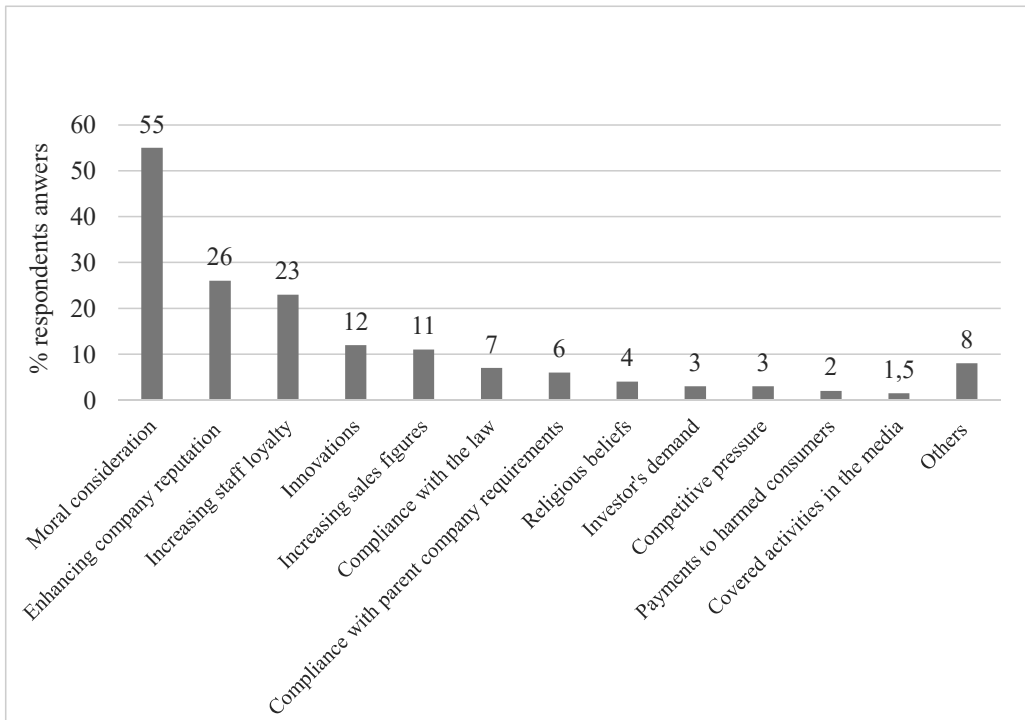


Figure 2. Survey results: “The main reasons why companies engage in CSR”

There are the most widespread practices of CSR implementation at the Ukrainian companies according to [6] are:

- labour relations: salary raise, payment of declared salary and bonuses. Almost half of the companies provide their employees with an opportunity to work under flexible working schedules and implement professional development programs;
- anti-corruption practices: more than one third of the companies have not bribed to solve their business problems, and the same number of companies are ready to allocate half of their profit to fight against corruption;

- environmental responsibility: introduction of energy saving technologies and waste management and recycling programs, one third of the interviewed companies have not implemented any environmental protection measures;
- consumer relations: support to product quality, providing reliable information and commercial, staff trainings on customer service, elaborated system of complaints management and “hotline” (Contact Center) for consumers;
- development of regions: allocation of funds for charity and assistance of land improvement.

The main barriers for the CSR policy implementation are lack of financial resources, political instability in the country, imperfection of legal framework, and tax pressure (Figure 3).

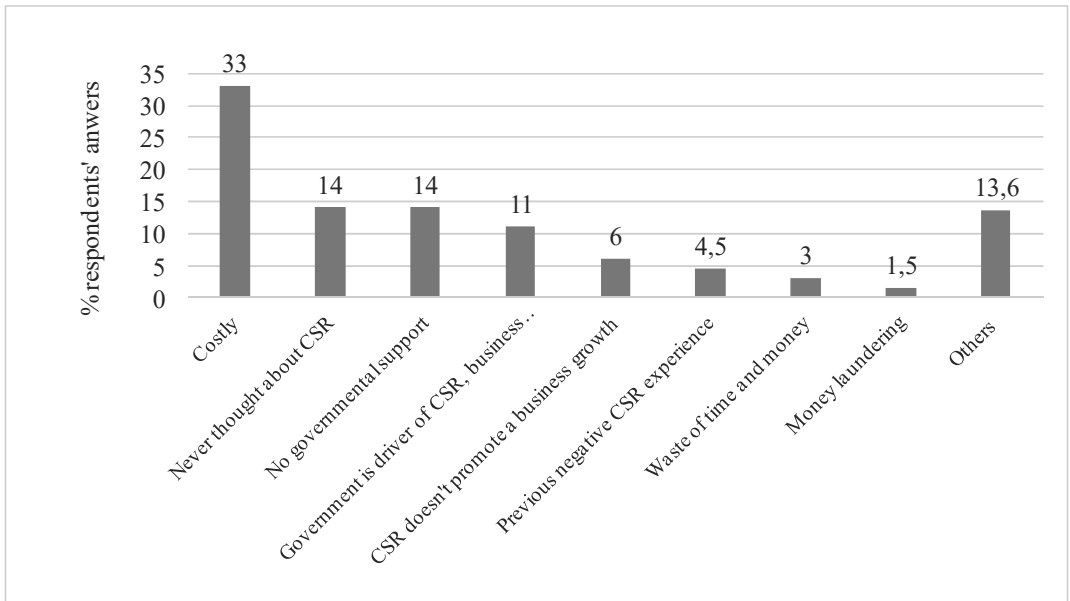


Figure 3. Survey results: “The main reasons why social responsibility programs are not topical for a business”

Global Corporate Social Responsibility Report shows that 70% of buyers in Ukraine are willing to pay more for the products of those companies that are responsible to society and the environment. Environmental branding concerns the purchase decision of 84% of Ukrainians (and 85% of the global consumers), while brand social initiatives are important for 68% of Ukrainians (and 80% of the global consumers). Therefore, one of the ways that a company can gain a competitive advantage is through corporate social responsibility (CSR), which is a term used to describe the initiatives a company takes to self-regulate its operations and take responsibility for its impact on environment and society [6]. At the same time, the corporate social responsibility attracts both customers and employees. Thus,

according to a Cone Communications survey, 64% of respondents will not work for a company unless it has a strong corporate social responsibility program.

Therefore, in order to develop measures to increase the level of the social responsibility at the domestic enterprises, it is worth to analyze and examine the experience of those states which have made a significant progress in harmonizing the interests of society, owners of the capital and the state by promoting their model of business behaviour.

For those companies that have a good track record for responsible behaviour in the developed countries, the social responsibility is one of the main factors of good business reputation, which enhances investment attractiveness of the company, promotes recruitment and retention of highly qualified employees, increases productivity, supports brand awareness, and creates positive opinion about company's products.

CONCLUSION

In our opinion, a number of measures aimed at developing of the CSR in Ukraine should be implemented. They include:

- promoting CSR role, its usefulness and necessity for society;
- improving regulatory framework that stimulates business to the social responsibility;
- conducting permanent anti-corruption policy;
- improving cooperation through social dialogue;
- reducing business pressure and implementing social responsibility policy;
- supporting business to implement the corporate social responsibility;
- incorporating social responsibility strategy into business development strategy;
- providing various tax benefits and implementing moral incentive measures for entrepreneurs who have invested into socially significant projects;
- introducing compulsory social reporting at the national and local levels;
- and promoting and implementing the international standards and corporate social responsibility management in Ukraine.

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