BUSINESS SOCIAL RESPONSIBILITY: ESSENCE, DEVELOPMENT TRENDS AND CURRENT PROBLEMS

Hanna Matukova
Prof., DSc, Kryvyi Rih Economic Institute of Kyiv National Economic University named after Vadym Hetman,
e-mail: matukova_gi@kneu.dp.ua, orcid.org/0000-0001-5680-0451, Ukraine

Eduard Mokriak
Associate Professor, PhD, Kryvyi Rih Economic Institute of Kyiv National Economic University named after Vadym Hetman,
e-mail: mokryak_eb@kneu.dp.ua, orcid.org/0000-0002-2406-6050, Ukraine

Abstract. The article presents a definition of the category “social responsibility” based on generalization of different views and system approach. Social responsibility is referred to as a multilevel system of economic, social, legal, ethical relations between all actors of economic activity and those interested in its results, aimed at a final beneficial result for them. The authors emphasize that social responsibility of business is one of the main factors increasing its business reputation, improving its image and creating competitive advantages. Motivation criteria of the domestic system of corporate social responsibility (social, political and economic) are considered. The authors identify factors that have a negative impact on the formation of the social responsibility of Ukrainian business and create a number of problems on the way of implementation of the social responsibility policy. To solve the problems of introducing social responsibility at Ukrainian enterprises a number of measures are proposed. The latter include professional selection of senior managers by competent independent experts; establishment of normative and moral guarantees of the stability of senior managers’ successful management activities; public control over managers’ activities; improvement of corporate legislation with establishing more rigorous public control over the activities of strategically important joint stock companies; transition from the model of conflict partnership to constructive partnership in labour relations; construction of a system of permanent public monitoring of large corporate entrepreneurship.

Keywords: socially responsible functions, social responsibility, business practice, mechanism of implementation of corporate social responsibility, socially responsible investment, social partnership, public monitoring of corporate entrepreneurship, social responsibility development strategy, incentives for implementation of social responsibility measures.

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Introduction

Transformation of public values and priorities requires the changes of the current corporate governance practices of many companies. Ensuring the integration of the principles, methods and tools of social responsibility is playing an increasingly important role in the rapidly progressing world society. Along with economic factors the increasing role in ensuring the competitiveness of Ukrainian companies is laid upon the socially responsible functions: preservation of the environment; development and implementation of programs for the innovative development of educational institutions, medical institutions, kindergartens,
health resorts; formation of systems of social, educational, and psychological support of employees; formation and implementation of ethical behaviour principles in relations with investors, suppliers, consumers. The transformation of social priorities requires changes in the current practice of corporate governance that ensure the integration of principles, methods, tools of social responsibility. Implementation of Corporate Social Responsibility (CSR) in Ukrainian business practice will help increase the competitiveness of companies in the world market by improving product quality, reducing energy and material consumption, and improving labour relations.

There are many facts proving the awareness of the importance of CSR implementation in Ukrainian society: the growing number of member companies of the UN Global Compact from 34 (in 2006) to 180 (in 2013); foundation of Centre for CSR Development in Ukraine; increase of the number of CSR departments in large corporations; inclusion of a profession of CSR manager into the state classifier of professions of Ukraine. But these are only some positive changes, whereas the proper conditions for diffusion of social responsibility principles have not yet been created. There is no clear definition of the objective reasons for the functioning of socially responsible business. There are no public policies supporting and promoting CSR compared to those in the developed countries; legislation that regulates social responsibility of economic agents remains in many aspects imperfect; relations between senior management and business owners concerning social programs realization are often contentious. The unresolved issue is the problem of openness and transparency of information on the activities of corporate enterprises as well as lack of clear standards of social reporting.

The phenomenon of social responsibility was not fully explored in academic science. Theoretical and methodological foundations of the problems of social responsibility were laid in the works of such leading scientists as A. Berley, A. Carol, L. Coser, G. Minz, M. Friedman. Some aspects of this issue, particularly the principles, tools and ways of introducing social responsibility, were considered by G. Bowen, L. Burke, M. Velasquez, C. Davis, H. Johnson, P. Drucker, A. Carroll, F. Kotler, J.L. Logsdon, J. McGuire, L. Nancy, L. Nash, J. Rawls, K. Smith, R. Freeman and others. Among contemporary foreign studies dealing with social responsibility we should note the works of B. Balievsky, A. Burunov, S. Williams, S. Jastram, M. Lament, V. Marakova, R. Sneidere, A. Yanovsky and others. A significant contribution to the development of this problem was made by Ukrainian scientists:T. Artemova, N. Ahramakova, D. Baiura, S. Beztrochnikova, V. Bozhkova O. Berezina, S. Buko, A. Butenko, N. Vodnytska, N. Voloskovets, H. Galchak, O. Hrishnova, L. Hrytsina, N. Didenko, V. Zhukovska, O. Zhmaylova, O. Zelenko, A. Zinchenko, L. Kozin, I. Kuznetsova, L. Lazorenko, S. Melnyk, L. Nokhrina, P. Orlov, L. Sliusareva, H. Saprykina, N. Ushakova, S. Filippova, O. Chernykh, V. Shapova, S. Harichkov, V. Yarova. It should be noted that there is no single categorical apparatus in the research of Ukrainian scientists on the issue of social responsibility. The terms “social partnership”, “charity”, “public private partnership” and “corporate social responsibility” are often undifferentiated, the trends of CSR development are not clearly defined, relations between business structures and authorities at the state and regional level aren’t fully researched, the problems of socially responsible investment are not sufficiently solved at the scientific level.

The purpose of the article is to generalize theoretical approaches to the essence of business social responsibility and the trends of its development, to identify the key issues of the formation of social responsibility system at Ukrainian enterprises and the ways to solve them.
Results of the research

The range of problems of social responsibility research is complex and multifaceted. The difficulties appear at the very beginning – at the stage of determining the essence of this concept. The analysis of scientific literature shows that, firstly, this concept has a multi-level structure with the macroeconomic level – “social responsibility of the state” (Potapchuk, 2008), microeconomic level – “corporate social responsibility” (Kolot et al., 2012), “social responsibility of business” (Buleev, 2008), and personal level (Kolot et al., 2012). Secondly, there are two types of social responsibility: internal involving care for organization personnel, and external concerning liability to consumers of goods and services, interaction with the local community, environmental protection, sponsorship and charitable activities (Syvak, 2012). But all of the above-mentioned aspects of social responsibility are considered separately without their interconnection and interdependence. Therefore, there is a need for a systematic approach to addressing this issue.

In this regard, considerable attention should be paid to the comprehensive system of social responsibility developed by V. Zvonar. It includes economic agents of social responsibility, economic norms of social responsibility in the form of mutual obligations of agents, and economic subject of social responsibility in the form of social capital (Zvonar, 2016).

Both scholars and practitioners adhere to the opinion that social responsibility is “... an active social position of the company, consisting of harmonious coexistence, interaction and constant dialogue with the society, participation in solving the most acute social problems (Report of the Forum of Socio-responsible business of Ukraine, 2006). According to this interpretation, social responsibility is reduced to cooperation of business and society carried out for observance of public interests. However, in our opinion, this interpretation is too narrow. The concept of “social responsibility” should be defined with consideration of the interest of different parties in such activities in order to obtain a certain useful result. For example, M. Kuzheliev believes that “... the motive for socially oriented behaviour is the expectations of stakeholders whose actions determine the economic success of the corporation, therefore its significance and its existence” (Kuzheliev, 2015).

Thus, summing up the various approaches to the definition of “social responsibility”, taking into account their advantages, shortcomings and compliance with modern realities, this concept can be defined as an integrated multilevel system of economic, social, legal, ethical relationships between all economic agents and subjects interested in its results, aimed at obtaining a final beneficial result for them.

Social responsibility has deep historical roots, and it has been the subject of scientific interests of scholars and practitioners for more than four centuries (Balewski, 2013). But it is the 20th century that saw the upgrowth of social responsibility. There is no consensus amongst scientists on the main stages of the evolution of the concept of social responsibility. American scholars V. Gerde and R. Wokutch highlighted four phases of the evolution of the concept of social responsibility: “maturation and innovation” – 1960s, “development and expansion” – 1972-1979, “institutionalization” – 1980s, and maturity – 1988-1996 (Gerde et al., 1998).

A. Carol, Professor of Management at the University of Georgia, distinguishes five stages in this process: 1950s – “beginning of the evolution of the term CSR”; 1960s – the period of “meaningful deployment of CSR definitions”; 1970s – “strengthening of the diversity of CSR definitions”; the 1980s – the period of “reducing the number of definitions, increasing the number of studies and the emergence of alternative themes”; 1990s –
“preserving the key term of CSR with its gradual transformation or replacement in alternative topics” (Caroll, 2006).

Analysing the process of evolution of the concept of social responsibility, Russian scientist Y. Blagov identifies two stages of the evolution of the key concepts of social responsibility: the stage of formation of the concept of CSR (mid-1950s – early 1990s) when there was a consistent development of the concepts of corporate social responsibility, corporate social receptivity and corporate social activities; and the stage of development of CSR concepts on its own (from the beginning of the 1990s to the present day), associated with the emergence of concepts of stakeholders, corporate citizenship and corporate resilience (Blagov, 2010). Today, out of all the diversity of existing interpretations of the concept of social responsibility, three of them have gained practical use in developed countries: the theory of corporate selfishness – the “American model” of social responsibility, the theory of corporate altruism – the “European” model of social responsibility”, and the theory of rational egoism – a “mixed” model of social responsibility.

The theory of corporate selfishness in its classical sense reduces business social responsibility to actions leading to an increase in the profits of business owners. For example, M. Friedman formulated the essence of this theory as follows: “There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game” (Friedman, 2006). According to this theory, the activities of a modern company should be consistent with the general principles of environmental protection, health and safety. The responsibility of business to society is restricted to jobs creation, paying decent wages to employees, timely payment of taxes. The implementation of other social programs, according to supporters of this theory, will only lead to excessive expenditures, and, accordingly, a decrease in profits.

The theory of corporate altruism considers law and tax compliance as a significant contribution to improving the quality of life of society. According to this theory, business is obliged to transfer legislatively established taxes and payments and these assets should be used to implement social programs for the population by the state and local governments. The purpose of the state and local self-government bodies is to ensure the right to basic social guarantees both in kind and in monetary terms that would be able to provide a “normal” standard of living.

The theory of reasonable egoism proceeds from the fact that social responsibility of business is “...just a “good business” that reduces long-term loss of profit” (Moroz, 2013). According to this theory, a company that invests in social programs reduces its current profits, but creates a favourable social environment, thereby providing sustainable returns in the long run. Business responsibility applies both to all types of activities directly or indirectly related to ensuring sustainable development of the enterprise (working conditions, wages, payment of dividends to shareholders, production of proper quality products, environmental protection, timely and full payment of taxes and duties etc.) and the implementation of programs aimed at improving the quality of life of the community (participation in regional social programs, sponsorship, philanthropy, etc.). And the state and local self-government bodies create the necessary institutional base for this. For example, in many European countries, compulsory health insurance, pension regulation, and environmental protection are set at the legislative level. And in Japan and South Korea, the type of CSR in the form of a model “business is responsible for everything” has become quite widespread. According to this model, the business provides housing, encourages family dynasties, carries out training of specialists at the expense of the corporation, etc.
Social responsibility of business is one of the main factors increasing its business reputation and improving its image. This, in turn, leads to an improvement of the economic conditions and the conditions for the development of companies. Comparing enterprises implementing socially responsible measures and enterprises that are not socially responsible, D. Baiura and O. Buian have come to the conclusion that companies that implement a long-term CSR strategy in their activities achieve an effective financial result and promote social development (Baiura, 2012). This view can be supported by many figures and facts. According to the Conference Board, companies with a socially responsible business receive significantly better financial performance than traditional companies. Thus, income from investing in socially responsible companies is higher by 9.8%, income from assets – by 3.55%, revenue from sales – by 2.79%, profit – by 63.5% (Suprun, 2009).

The important issue for a socially responsible business is the support and regulation of the employment process, which, in accordance with globalization processes and changes in international economic relations, leads to the manifestation of labour-saving shifts in many countries of the world.

The most important centre of attraction of foreign labour is Western Europe where today there are 13 million of migrants and members of their families. The influx of immigrants to Western Europe in the mid-90s was estimated at 180 thousand people per year. Their share in the total number of employees is: in Luxemburg – 33%, in Switzerland – 20%, in Austria – 9%, in Belgium – 9%, in France – 8%, in the Netherlands – 5%, in Denmark – 5%, in Italy – 3%. The main importer of labour in the region is the Federal Republic of Germany with 7.4 million foreigners, mainly labour force from EU countries, as well as Yugoslavia, Poland, Turkey, the CIS, and Eastern Europe. Over the past 40 years, more than 30 million people have entered the Federal Republic of Germany while 21 million have left the country. Most of the foreigners live in four western lands: Bavaria, Baden-Württemberg, North Rhine-Westphalia, Hessen (Hetmanenko, 2012).

Taking into account programs of socially responsible level in European enterprises, support is received by all officially employed workers including about 20% of former migrants. European socially responsible companies see a way out of the “high flow of migrants” in developing a strategy for economic development assistance that could lead to a new international economic order acceptable for all countries, a strategy that should be called a support strategy or a socially responsible strategy for population of the world. Migration, with proper integration into the process of global development of the country and business within each country, greatly accelerates solving the problems of socially responsible business. The foregoing causes the intensification of the processes of international intellectual migration on the international labour market when the intellectual workforce from economically less developed countries enters into direct competition with workers from developed countries: highly skilled workers are increasingly showing readiness to invest in their own human capital, increasing its mobility and realizing more favourable opportunities (Kalinina, 2016).

Consequently, support for migrant workers can be a positive solution for business in general and will help to improve the situation in the market of responsible business. But at the same time, one should not forget about the compliance of the workers’ professional qualification level with the work to be performed. Today, the challenges of harmonizing labour skills with the needs of existing and future jobs are becoming more relevant. There is a need for research into the problem of qualifications forecasting which is still insufficiently solved both at theoretical and practical levels. In this context, M. Illich presents an interesting
view based on the data of twelve EU member states. He has investigated the mechanisms of interaction of social partners on prediction of skilled labour and proposed a mechanism for social dialogue in the field of qualifications forecasting aimed at the realization of the interests of all actors interested in harmonizing qualifications with economic needs (Illiich, 2016).

Today, Ukraine has formed a number of motivating factors for the formation of a domestic model of corporate social responsibility. Criteria for motivation of the development of this model in the internal business environment can be grouped in the following way: social, political and economic. Social factors include: national mentality, expressed in traditions of charity, patronage; public expectations for responsible social behaviour; desire of the authorities to transfer part of their own responsibility in social policy. Active use of a set of laws in the context of social responsibility belongs to political factors. Economic factors include efficient use of available resources, reduction of the enterprises’ impact on the environment, improvement of the personnel management system in the context of social responsibility.

Social responsibility should be considered as a necessary condition for the competitive development of Ukrainian enterprises which forms responsibility both for business results and social, environmental, man-caused economic consequences (Polianska, 2015).

At the same time, social responsible behaviour of companies is not a widespread phenomenon in Ukraine, and it is becoming a common practice for only a small number of companies. In most cases, companies place information on CSR on their websites (2/3 of the total number of companies surveyed) and have codes of conduct: mission, ethical standards, declaration of values, etc. (1/4 of the total number of companies surveyed) (Kolot et al., 2012). Transnational corporations, their representative offices in Ukraine and large Ukrainian companies are leaders in responsible business practices. The results of the CSR survey of small and medium businesses in Ukraine show its underdevelopment, fragmentation and the lack of a strategic development concept.

In our view, one of the reasons constraining conducting socially responsible business by Ukrainian enterprises is mainly the conflict interaction between the owners of the enterprise and top management in the implementation of social programs. The problematic issue is the lack of employment guarantees for top management in case if social programs do not improve financial results of the company in the short-term perspective.

In order to solve this problem, we propose to elect applicants for top management positions on a competitive basis. Competition for top management contracts in large corporations should be carried out by authoritative independent consulting services. An important principle of economic democracy is free access for all those interested in this competition who have the appropriate motivation and objective professional qualities. At the same time, a number of applicants for positions of senior corporate managers (president, executive director, vice-presidents, chief accountant and others) is recommended to be restricted to specialists who have passed special licensing (the licenses could be provided by the Association of Corporate Governance of Ukraine or other authoritative public body of entrepreneurs and managers based on the recommendations of authoritative think tanks on pre-determined and well-known criteria). The body issuing the license should have the right to terminate it in case of serious violations of legal norms by the licensee. Contracts with persons appointed to top management positions on the basis of competitive selection are to be concluded for a period no less than five years. In case of need to change the senior management staff (for example, in order to implement the new strategy more effectively), the
owner may terminate contracts with top management ahead of time. However, the feasibility of personnel changes should be justified by weighty arguments and based on business assessments and ratings of competent independent experts. Senior managers who have not violated the terms of the contract must obtain material compensation from the owner in case of its early termination.

It is also recommended to create centres for independent business assessment of managers that would accumulate information on the effectiveness of the management activities at large enterprises, their strengths and weaknesses. On this basis, specific “transparent” national and regional corporate governance markets should be formed.

Significant obstacle for the formation and development of Ukrainian business social responsibility is the imperfection of the legislative and normative framework that establishes and regulates social responsibility. In our opinion, it would be reasonable to supplement the current Law of Ukraine “On Joint Stock Companies” with a special section providing for specific and considerably more stringent requirements to public control (by the competent state bodies, labour collectives and the public) of the activities of the large strategically important enterprises, controlled by one group or several groups of interconnected owners. A separate section of this law or even a special law should regulate the specifics of activities and mechanisms for decision making in joint stock companies engaged in mining operations (responsibility for the effective use of natural resources, environmental protection, land reclamation, strict compliance with specific regulatory requirements for mining operations, harmonization of fundamental managerial decisions on certain positions with relevant state authorities and local communities). Companies of this kind are so-called “urban development” enterprises, hence they are responsible for maintaining and improving the living conditions of the local community, maintaining employment, diversification of production in areas where the population is critically dependent on the activities of some companies.

Another typical problem for Ukrainian business is the need to implement the principles of corporate social responsibility in labour relations. CSR in labour relations is comprehended as the concept according to which the organization takes into account the interests of wage workers, meets voluntary commitments on the basis of observance of the current legislation, transparency, ethics, interaction between all the interested parties in order to achieve high quality work life and sustainable development of the organization (Oleinik, 2016). Interaction between the employer and the employee is grounded on social partnership. Today, the main task for Ukrainian business is to move from a model of conflict partnership to a model of constructive partnership in labour relations. But this requires a lot of work on reshaping the management structure, information flows, style and management methods. Neither entrepreneurs and managers (due to authoritarian traditions, lack of motivation, knowledge, skills necessary for the implementation of promising management methods) nor the majority of wage workers (due to passivity, low professionalism in the field of economics and management, the habit of traditional distribution of roles, etc.) are ready to do this work.

The problem of social responsibility of modern Ukrainian companies is socially responsible investment: how much, when, at what periods should the company allocate funds for improving or updating the status of a particular social problem.

The origins and development of the concept of socially responsible investment and its periodization are closely linked to the development of the concepts of corporate social responsibility and sustainable development. Corporate social responsibility and socially responsible investments by their very nature are a reflection of each other (Vasylchuk, 2015).
It should be noted that responsible investment is possible only if the economic and social factors are integrated into the mechanisms of monitoring and evaluation of the activities of companies by investors including corporate governance, relations with investors (stakeholders), reporting (financial and non-financial) (Orlova, 2014). Unfortunately, such mechanisms are still poorly developed in post-Soviet countries, including Ukraine.

One of the factors that significantly impedes the development of socially responsible business in Ukrainian enterprises is a significant restriction or lack of access to information on the activities of enterprises. Ukrainian companies are often closed to the general public: most companies regard the detailed information on activities as internal information. This is confirmed by the fact of deliberate concealment of information both from the authorities, the public and from its own personnel. According to unofficial data, 50% of Ukrainian businesses are in the shadows. Thus, while transparency and accountability are the cornerstone of corporate CSRs, social responsibility can’t prosper in environment where business structures hide the number of operating personnel, conceal the real level of income, do not pay taxes, etc.

Problems of openness and transparency of information on the activities of enterprises are the subject of research by many scholars. R. Schneider and I. Vigante state that the availability and openness of data on the activities of companies provide the public with information and allows to overcome various negative phenomena in the economy, politics and social sphere that have become international problems (Sneidere, 2014). V. Marakova, M. Lament and G. Wolak-Tuzimek note that the lack of unified approaches to the disclosure of non-financial information as well as the existence of various standards for social reporting hinder the implementation of scientific and analytical research in this sphere (Marakova et al., 2015). N. Orlova substantiates the importance of using the principles of CSR in non-financial reporting, which could become an effective tool for improving the efficiency of the corporation (Orlova, 2013).

To solve the problem of openness and transparency of information about the activities of Ukrainian companies, we propose to form an effective system of constant public monitoring of large corporate entrepreneurship. Its important elements can be the systematic national and regional ratings of large corporations on the total production and financial results and the main areas of activity (product quality, competitiveness, innovation, human capital development, etc.). The ratings should be based on monitoring of competent and socially responsible scientific and analytical centres. Financing and ensuring the economic independence of these centres should be carried on by a special Fund for socio-economic monitoring of corporate entrepreneurship at the expense of large enterprises, in proportion to the volume of their turnover. The Fund could be managed by a public council formed by reputable representatives of the business elite and the scientific circles. Both management and analytic centres specialists should be legally responsible for the reliability, objectivity of information and the responsibility

Conclusions and recommendations

Business social responsibility is a complex and multifaceted phenomenon. It is regarded as the need for cooperation among all stakeholders: shareholders, management, employees, investors, consumers, state and society as a whole. In a context of growing globalization of the economy, social responsibility becomes an important competitive advantage for enterprises.
In Ukrainian economy, business social responsibility is usually indicative in the face of business downright desire of enrichment under all circumstances. Formation of social responsibility of Ukrainian business is negatively affected by a number of factors: ineffective system of social protection, heavy regulatory burden leading to “shadowing” the economy, insufficient institutional support for the introduction of social responsibility policies, imperfect legislation in the field of regulation of social and labour relations, low-level organizational culture, unprotected labour market, top management subordination to the interests of business owners. All these factors create a range of problems on the way to introducing a policy of social responsibility in Ukrainian business.

To solve the problems of introducing social responsibility at Ukrainian enterprises a number of measures were proposed, in particular, professional selection of senior managers by competent independent experts; public control over managers’ activities; the need to establish regulatory and moral guarantees of successful management of top managers; improvement of corporate legislation involving establishment of more rigorous public control over the activities of strategically important joint stock companies; transition from the model of conflict partnership to constructive partnership in labour relations; construction of a system of permanent public monitoring of large corporate entrepreneurship.

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