

ISSUES OF SOCIAL RESPONSIBILITY MANAGEMENT AT ENTERPRISES ENGAGED IN FOREIGN ECONOMIC ACTIVITIES AND SUGGESTED WAYS OF SOLVING THEM

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Abstract. The work explores the etymology of the “enterprises’ social responsibility” concept through the prism of its core elements – economic, legal, moral, philanthropic and environmental. The sequence in which the understanding and approaches to the implementation of the socially responsible management concept changed in different historical periods is disclosed. The basic components of social responsibility and the characteristic features of their manifestation in the conditions of business functioning and development are revealed. The successful experience of applying the social responsibility concept among world-famous companies of various industries is analyzed, and it is also monitored how the management systems of Ukrainian enterprises adapt to the principles of corporate social responsibility and sustainable development in general. As a result, the problematic moments that accompany the process of implementing the concept of socially responsible entrepreneurship in Ukrainian companies are outlined and general recommendations are given for their effective removal.

1. Introduction

In modern economic conditions, the most important task of enterprise management is to harmonize the interests of all parties engaged in the company’s activities. During the period of the command economy in Ukraine, the relationship between enterprises and the state was patronage

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in nature. The transition to the market economy principles has led to a significant deformation of the social infrastructure and the system of socio-economic partnership, violation of labor standards in the field of labor protection and health, remuneration of employees, and exacerbation of environmental and social problems of entire regions. In this regard, the actual problem of modern management is the implementation of a development strategy based on corporate social responsibility principles. In the context of economic reforms that require the preservation and growth of qualified labor resources, innovations and other competitive advantages, the enterprise management system must adequately respond to the interests of employees, suppliers, consumers, the state and the population of the region, as well as other parties interested in the effective operation of the company. The problem of social responsibility has become particularly relevant during the global COVID-19 pandemic and in the exhausting conditions of wartime in Ukraine because the current circumstances require significant additional costs in fulfilling social obligations to employees of enterprises, whose health and life are now at extremely high risk.

The problem of corporate social responsibility in enterprise management in different periods was considered in the works of such foreign scientists as R. Akkof, I. Ansoff, K. Bodwell and S. Vedok, P. Drucker, M. Friedman, E. Freeman. P. Kemenitch, L. Mullins, S. Hawkins, and M. Enshen also contributed to the development of the social responsibility concept, linking the social responsibility of business with the need for the existence of a social contract. Among Ukrainian researchers, the study of the role of social responsibility in the implementation of a sustainable development strategy and ensuring a socially responsible financial and economic policy of enterprises was implemented by: B. Andrishkiv, T. Antoshko, D. Baiura, L. Bobko, A. Zorina, E. Kamyshnykova, O. Mints, O. Prytula, etc. In domestic and foreign sources, the focus is on certain aspects and tools for the formation and implementation of an enterprise's social responsibility policy. At the same time, there are very few studies on the issues of effective corporate social responsibility management in a dynamic business environment and the risks associated with violation of the requirements and expectations of key business structures' stakeholders, which justifies the feasibility of this research.

2. Essential features of the “social responsibility” concept: international and domestic experience of implementation

While investigating such a specific category as “social responsibility”, we come to understand it as a special social phenomenon that provides for “voluntary and conscious execution, use and observance by the subjects of public relations, prescriptions, social norms, and in case of their violation, the application of measures of influence against the violator provided by these norms” [1, p. 9–10]. The presence of a wide range of social norms entails the emergence of social responsibility various types for their performers: moral, religious, corporate, political, legal (juridical) and others.

An enterprise is a special socio-economic organization. Business owners today are increasingly coming to the understanding that the implementation of various types of activities using a socially responsible approach necessarily leads to an improvement in the image, ensuring a growing impact on society and increasing competitive positions [2]. Socially responsible business treats with respect and takes into account the needs of society and the environment, partners, contractors, competitors, managers of different levels.

The history of the development of corporate social responsibility (hereinafter referred to as CSR) dates back to the 20-50s of the twentieth century. It was at this time that the world-famous work of Peter Drucker “The Practice of Management” appeared, in which the scientist defined social responsibility as one of the 8 main factors contributing to the achievement of business goals. P. Drucker noted that entrepreneurial structures should be considered as the main socio-economic institutions that form methods and approaches to ensure the future existence of society [1]. In the 60s, the theory of corporate social responsibility continued to develop mainly due to the work of progressive scientists who supported then popular social movements for the protection of civil rights, the rights of women and consumers, and also aimed at protecting the environment. With the advent of the 1970s, scientists realized that the concept of CSR used at that time makes it possible to answer the question of what exactly should be understood by this category and what are the sources of its formation. Nevertheless, specific methods had not yet been developed by which this responsibility can be applied in the practical activities of companies.

Many well-known scientists at that time worked on solving this problem (R. Ackerman, R. Bauer, D. Votav, S. Seti, etc.), however, the postulates reflected in the article of the outstanding scientist-economist and Nobel Prize winner M. Friedman “Social Responsibility of Business”, published in The New York Times on September 13, 1970, were the most revolutionary. In his work, the scientist noted that there is the only one social obligation for business entities – this is to increase profitability with strict observance of the established rules of fair competition. It is extremely difficult for an enterprise of a particular industry to outline clearly the set of social tasks for which it should be responsible, because here conflicts of interest will often arise under the conditions that it is still impossible to be kind to everyone [3].

However, the radical and ambiguous approach of M. Friedman to the essence and typology of the social responsibility of enterprises still did not stop research in this area, did not level the value of the most socially responsible approach to company management. Thus, A. Carroll formulated the category of “social responsibility” in terms of its key varieties, which, like the needs in Maslow’s pyramid, form a multi-level structure of the concept under study (Figure 1) [4; 5].

As you can see from the figure, the basis of the social responsibility entire structure is its economic variety, because the key purpose of companies in

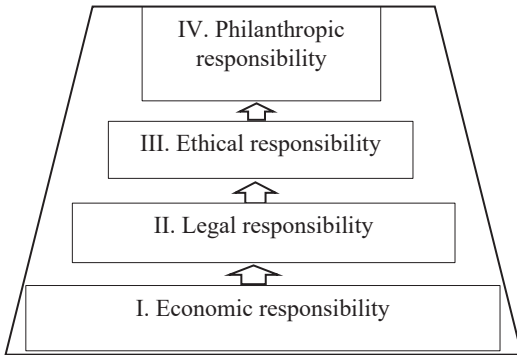


Figure 1. Multilevel structure of enterprises social responsibility (according to A. Carroll approach)

Source: [4]

the first place was and remains the production of goods and services in order to ensure the planned level of profitability. At the same time, within the framework of the social responsibility concept, the profit received, in addition to performing the functions of economic development, must certainly be directed to ensuring a positive impact on the environment, people, society (so called “triple bottom line”) [6].

The basis of legal responsibility is the need to conduct business within the legal framework and the international economic environment. Ethical social responsibility provides that the functioning of the company will take place within the rules established by society, which are not enshrined in law, but reflect a certain set of moral norms and traditions that exist in this society. Enterprises can demonstrate that they are morally responsible in various ways. For example, an enterprise may set its own, higher minimum wages if the government-mandated one is not “acceptable”. Also, a business may require that products, ingredients, materials or components are supplied in accordance with free trade standards. Because of this, many business entities have procedures in place to ensure that they do not purchase goods derived from slavery or child labor. Philanthropic (or discretionary) responsibility of the company involves its voluntary participation in various social programs and projects in order to ensure the welfare and development of society.

Also, with the modern hyperactive popularization of the “sustainable development” concept, the above list of CSR varieties is supplemented with such an integral element as “environmental responsibility”. This is one of the most common forms of corporate social responsibility, based on the premise that organizations should behave as environmentally friendly as possible. Businesses seeking to become environmentally responsible can do so by reducing pollution, greenhouse gas emissions, single-use plastics, water consumption and general waste; increasing the use of renewable energy sources, sustainable resources and materials that are fully or partially recyclable; compensation of negative impact on the environment, for example, by planting trees, funding research and donations to related causes.

Further international development of the concept of business structures social responsibility is characterized, on the one hand, by the study and justification of a direct relationship between the activity of implementing a socially responsible approach to managing enterprises and the level of their economic performance (based on the theory of stakeholders, reputation theory, theories of resource sufficiency, opportunism and synergistic action etc.), and on the other hand, focusing on the urgent need for strict adherence to the principles of sustainable development, in which CSR is transformed from elementary rules of conduct and accountability to a qualitatively new level, where there is a more intense dialogue between stakeholders and non-

governmental organizations, the introduction of social initiatives, which are related to a wide range of interested parties [1].

On the agenda, the development of socially responsible business in various regions of the world, including Ukraine, is in line with a high level of internal standards and regular legal actions. The basic ones are [7]:

- The United Nations Global Compact (a UN initiative focused on ensuring that businesses comply with a socially responsible approach and reporting on the effectiveness of such policies implementation);
- International standard for corporate social responsibility ISO 26000:2010 (globally agreed document containing guidance on the implementation of a socially responsible approach to the management of any enterprise);
- GRI Global Reporting Initiative standards (regulates the most common reporting forms for enterprises that is constructed in accordance with sustainable development standards);
- Certification standard SA 8000 (encourages organizations of various forms and activities to develop and apply the latest socially acceptable workplace management practices and provides for the determination of the companies effectiveness in eight areas: child labor, forced labor, health and safety, free association and collective bargaining, discrimination, disciplinary practice, working hours and compensation).

As of 2020, more than 14,000 corporations and other organizations from almost 170 countries of the world have joined the UN Global Compact [8]. Following the above mentioned and a number of other specific standards, they actively implement the policy of social responsibility with a wide range of operational areas, because they are clearly aware that in modern conditions, representatives of various stakeholder groups (especially from the so-called “millennials” and “generation Z”) all are more likely to partner with brands and companies that invest heavily in society and are looking for ways to contribute to such progress, clearly demonstrating their pro-social initiatives and a “green” stance.

One of the best examples of the real and comprehensive application of the CSR concept in the international arena is the work of the world-famous pioneer of the pharmaceutical industry – Johnson & Johnson. For three decades, the company’s key goal has been to reduce its impact on the planet, with initiatives ranging from harnessing wind power to providing safe

water to communities around the world. The company continues to explore renewable energy options with the goal of meeting 100% of its needs by 2025. Google Corporation is also gaining more and more global trust, not only due to well-known initiatives on environmental safety, but also due to the open uncompromising position of the company's top management on issues of racism and other types of social discrimination [9].

The socially responsible position of the LEGO company, which has become a leader in the 2021 Global RepTrak® 100 global corporate reputation ranking, also deserves special attention due to its sustainability initiatives [10]. Over the next three years, company executives plan to invest more than 400 million USD with the key goal of phasing out single-use plastic packaging for its "bricks" so that all packaging is environmentally sustainable by 2025. From 2021 trials of paper bags in boxes have also begun in partnership with the Forestry Supervisory Council (FSC). They are also investing in greener products that don't produce waste and don't contain carbon emissions.

Speaking of global companies that are implementing CSR in their management successfully, it is also worth recalling the super-brand the Walt Disney Company, which, in their Corporate Social Responsibility Report for 2021, declared the obligation to reduce their carbon footprint by setting goals of zero net greenhouse gas emissions, zero waste and commitments to save water. They actively enforce strict international labor policies to protect the safety and rights of their employees.

Also, such multinational corporations as Coca-Cola, Bosch, General Electric, Pfizer, Starbucks, Washington Post and many others demonstrate a bright socially responsible position on a global scale. Functioning effectively in various sectors of the economy, they have been demonstrating a powerful level of corporate social responsibility for many years, actively working on the comprehensive implementation of the economics principles based on sustainable development, and are engaged in the fight against poverty, discrimination based on race, age and other grounds, and provoking panic in societies through misinformation, especially during the fight against the COVID-19 pandemic.

While analyzing the experience of implementing the CSR concept within a national scale, it is worth noting that over the past 15 years the number of Ukrainian enterprises actively introducing CSR into their own management system has been constantly growing. Today, the UN Global Compact Network in Ukraine includes more than 100 participating companies,

which, on the basis of the developed integrated training platform, study and adapt in practice the achievements of sustainable development for business, society, labor organizations, municipalities and government. At the same time, most of these enterprises are mainly leaders in the markets of goods and services with a long-term successful history of activity (Obolon, Kyivstar, Metinvest, 1+1 Media, SoftServe, Nova Poshta, etc.), as well as representative offices of international companies in Ukraine (“Shell”, “BASF Ukraine”, “Metro Cash and Carry Ukraine”, “KPMG”, “Carlsberg Ukraine”, etc.). Justifying the expediency of applying the concept of CSR as an effective management tool, top managers of the above economic entities cite the following advantages and effects:

- obtaining a financial and economic effect from CSR due to saving on the consumption of energy and raw materials, increasing the productivity of employees (in particular, by reducing the time of absence from the workplace due to illness and accidents, early retirement, etc.), obtaining better credit terms and easier access to the capital market. In general, consistent CSR management can help businesses to gain a favorable market position, stimulate innovation and avoid reputational risks.

- Systematic updating of CSR directions and tools have a positive impact on the competitiveness of an enterprise, since consumers are increasingly taking into account precisely socially responsible criteria. The market for goods and services also accordingly acquires certain social or environmental characteristics. In addition to enterprises behavior as an end-to-end supplier, customers are also increasingly emphasizing the need to conduct business operations responsibly throughout the value creation chain.

- Socially responsible behavior motivates staff. A reputation as a responsible employer also facilitates the effective search and hiring of new highly qualified people, as employees become more aware of the company’s values (for example, integrity).

- Conducting business in a responsible way can serve as an additional competitive advantage for enterprises while participating in government tenders, obtaining appropriations and subsidies. When participating in public procurement, suppliers must comply with relevant provisions on conditions of employment and equal pay. Responsible business conduct helps to detect and respond to changes in the political framework conditions in a timely manner.

3. Difficulties arising in the process of implementing the social responsibility concept of entities engaged in foreign economic activity and recommended ways to eliminate them

Summarizing the results of research by domestic scientists and practitioners, we consider that it is also appropriate to focus on the factors affecting the social responsibility management of foreign economic activity entities, distributing the entire plane of their influence on the exogenous and endogenous components.

Exogenous factors reflect the fact of the existence and influence of important external factors on the process of managing social responsibility as a specific management function of the subject under study and are beyond its control in terms of limitation or avoidance. Among them, it is correct to consider the state policy in the field of business structures social responsibility and the level of regulatory support for the institution of business entities social responsibility is directly related to it; the level of corruption and “shadowing” in the state; the presence of various incentives (primarily tax incentives) for socially responsible cooperation between business, state and municipal authorities; the presence of a unified interpretation of the essence of entrepreneurial social responsibility in society and the level of public confidence in its significance and prospects, etc.

For its part, endogenous factors can also be structured into corporate and personal. In general, the consequences of the influence of these factors demonstrate the potential ability of business structures to implement social responsibility in their activities, including foreign economic operations. The corporate factors include the management traditions existing in the company, the clarity and validity of the strategic goal of the enterprise and, accordingly, the ability to integrate the concept of social responsibility of the enterprise into its activity strategy; the size of the enterprise and its financial condition in terms of the possibility to support financially the socially responsible initiatives; technological and industry specifics, the presence of a specialist or an organizational element (subdivision, department, committee, formal group, etc.) for managing socially responsible activities, the complexity of determining the economic and social effect of socially responsible activities. General organizational factors lay the foundation that becomes the basis for the formation of the enterprise social responsibility. At the same time, the qualitative characteristics of the social responsibility

of a business will be formed under the influence of personal factors: personal motivation of the managers and personnel of the enterprise, the level of managers' ethics, the work experience of managers, work experience and the level of qualification of corporate social responsibility managers.

A significant factor influencing the decision to carry out activities in the field of corporate social responsibility is the size of the company. Here, large companies always have a significant advantage over small ones, so "the introduction of the corporate social responsibility principles is a privilege of large diversified companies". This situation has existed for a long time, but the current vision of corporate social responsibility allows enterprises of all organizational shapes and sizes to join the implementation of socially responsible practices. After all, the directions and forms of socially responsible activities in the modern world are so diverse that each enterprise, regardless of its size and amount of available financial resources, can find an acceptable way of doing business in a socially responsible way. Of course, large-scale projects can only be implemented by large companies, but the role of small and medium-sized enterprises in the development of entrepreneurial social responsibility should not be underestimated either.

At the same time, scientists and practitioners identify a number of problematic issues that prevent more active development of corporate social responsibility systems at Ukrainian enterprises. The most significant of them should include the following [7]:

- an ambiguous interpretation of social responsibility in business and society, giving rise to various kinds of conflicts of interest between the owners and managers of companies on approaches to the implementation of social initiatives, especially on the responsibility of the latter for the effectiveness of invested financial resources in the short or maximum medium term;
- inexperience of managers and owners at domestic enterprises in building and implementing a system of socially responsible management, as a result of which unclear and sometimes biased goals and objectives are planned in the field of social initiatives, sponsorship, charity, which entails inefficient waste of already limited financial resources of domestic enterprises and, accordingly, discourages top management from following the concept of CSR in the future;
- low level of information transparency and openness of business structures, which makes it impossible to monitor the level of their social responsibility and the social initiatives effectiveness objectively;

– underdevelopment and imperfection of the existing legislative and regulatory support in the field of establishing the basic principles of social responsibility of business structures. Despite the fact that all the leading countries of the world have long recognized the concept of social responsibility as the only one possible under modern circumstances, in Ukraine there are still no basic declarative postulates (concepts, strategies, action plans, mechanisms) for reorienting all spheres of economic activity and the functioning of society as a whole towards sustainable development. Back in 2018, the Draft Law of Ukraine “On the Strategy for Sustainable Development of Ukraine until 2030” was developed, but it has not yet entered into force [11]. Decree of the President of Ukraine No. 722/2019 “On the Sustainable Development Goals of Ukraine for the period up to 2030” actually duplicated seventeen global sustainable development goals up to 2030, which was proclaimed by the UN General Assembly Resolution No. 70/1 of September 25, 2015, however, the mechanisms of their practical implementation has not yet been developed [12]. A serious step in the direction under study was also the adoption of the Law of Ukraine “On the Basic Principles (Strategy) of the State Environmental Policy of Ukraine for the period up to 2030” [13], where the relevant goals and objectives are declared, but again there is no toolset for their implementation and the expected time frame achievements.

To solve these and all other significant problems in the implementation of the conceptual approach to enterprise management based on CSR, it is necessary to direct simultaneous, coordinated efforts of both business and the state. At the level of business structures, measures should be developed for the practical implementation of a systematic approach to the socially responsible management of an economic entity through the consistent implementation of the management process in the context of:

- building current plans for the implementation of the procurement policy, quality management policy and investment projects of a social orientation; programs for the development and training personnel, social adaptation and socio-economic partnership; programs of measures for labor safety and protection of life and health of workers; charitable programs; policies and programs to ensure environmental and economic security;
- organization on a permanent basis of special units or the appointment of responsible specialists who will develop and implement methods and models of enterprise management based on a socially responsible approach;

– motivation of managers and other specialists of the enterprise to perform their professional duties exclusively within the established principles, procedures, rules and procedures of the CSR concept;

– development and application of a system of management target indicators based on CSR in order to implement various methods for monitoring the level of achievement of planned social goals and objectives, as well as the formation of regulatory procedures in case of significant deviations of the actual level of target parameters from the planned ones.

As for the macroeconomic level, the most urgent tasks of the state in ensuring the development of the CSR concept are the immediate ratification of draft legislative acts that will regulate key issues of enterprises social responsibility in Ukraine, as well as the development and implementation of a number of by-laws that will create real applied mechanisms for the implementation of the approaches to CSR declared by legislative acts. In particular, at the state level, it is necessary to form a comprehensive toolkit to encourage companies to increase the level of social responsibility (due to various kinds of appropriations, primarily tax and other kinds of benefits), combining the experience of the leading countries of the world in this direction (in particular, by adapting elements of American and European models of CSR management).

4. Conclusions

In the context of the growing uncertainty of the external environment, the solution to the problem of harmonizing interests in the management of enterprises is increasingly being reduced to the adoption by the enterprise of broad obligations to all interested parties. As international experience shows, today the main motive for the adoption of social obligations by enterprises is the desire to minimize the risks of loss of human resources, business reputation, investment attractiveness and other losses resulting from stakeholders. As a result, there is a need for systematic management of corporate social responsibility. The CSR management system is a set of interrelated functions of analysis, planning, organization and control, providing a continuous process of interaction between the enterprise management and stakeholders. At the same time, only well-coordinated actions of business entities and the state in the direction of developing applied tools for socially responsible company management will make

it possible to bring the concept of social responsibility in Ukraine to a qualitatively new level, ensuring the activation of the development of our society in the direction of irrevocable sustainable development.

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