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CONCEPTUAL APPROACHES IN IDENTIFYING OF SOCIAL RESPONSIBILITY OF BUSINESS IN UKRAINE

В інформаційному постіндустріальному суспільстві все з більшою силою заявляє про себе пошук і побудова цивілізаційної моделі відносин між бізнесом та суспільством. Тому стає очевидною суспільна потреба в соціально відповідальному підприємстві. Ця стаття присвячена ідентифікації соціальної відповідальності бізнесу в Україні шляхом не лише окреслення основних концептуальних підходів до СББ, як системи відносин із середовищем бізнес-організації, а й аплікація їх до сучасних українських реалій.

Ключові слова: соціальна відповідальність бізнесу, теорія корпоративного егоїзму, теорія корпоративного альтруїзму, теорія розумного егоїзму, модель відносин із середовищем організації.



Historically, scientists have expressed conflicting views regarding the impact of socially responsible behaviour on the competitiveness of businesses. While some authors believe its undeniable positive effect for business activity (H. Bowen, K. Davies, P. Drucker, L. Preston), while others have the opposite opinion (M. Friedman, M. Porter, M. Kramer). Still others believe that a socially useful activity should be engaged in for its own sake, without linking it to any other goals and objectives (E. Carnegie, John D. Rockefeller, R. Wood).

The American economist M. Friedman in his article «Social responsibility of business is to increase its profits» (1970), which was published in the «New York Times» [25] claims that the business case is just business. This the most traditional view was called «theory of corporate egoism», for which the only responsibility of business is to increase profits for its shareholders. M. Friedman believes that directing financial resources to «social good» undermines the foundations of the market mechanism and in any case harm someone (or shareholders due to lower profits, or employees of the organization in case of reduced wages and benefits, or consumers if raises prices for products of the company for compensation of the additional costs).

The second point of view on the social role of entrepreneurship, social-economic and opposite to the first – classic, called the «theory of corporate altruism». It appeared simultaneously with the publication of sensational articles of M. Friedman and belonged to the Committee for Economic Development. In the recommendations of the Committee were emphasized that «corporations are required to make a significant contribution to improving the quality of American life» [27]. Its main supporter is the American scientist P. Drucker, «the professional ethics is the ethics of responsibility» [23, p. 368]. In his mind, the new concept of management responsibility «requires that business has to take responsibility and become the solver of social problems» [5, p. 315]. Management must go beyond creating income and include the protection and raising welfare of society. Considering that the main shortcoming of the traditional approach is its time limitation, managers, above all, should be interested in increasing profits in a long term, for which they need to take the certain social obligations and related costs – protection the society from environmental pollution, discrimination, false advertising etc., to participate in its improvement.

Criticism of the diversion of scarce material, financial and human resources that lie an additional burden on business, significantly reducing its competitiveness on the market; violation of the principle of profit maximization when additional costs are transferred to consumers through higher prices, contributed to the third approach, which brings together the main provisions of the first two, «the theory of rational egoism». The quintessence of the theory was the phrase that the current reduction of company's income due to the socially oriented spending an enabling social environment that promotes sustainable business development and, therefore, sustainable profits in the future. That is, the social responsibility of business is «good business» because reduces long-term costs.

At first sight, all three approaches more or less are characteristic for Ukrainian social responsibility of business. However, if to analyze the disclosure of information about non-financial aspects of activities in the macroeconomic context, as a litmus paper of CSR, in Ukraine only 10% of companies from the top 100 in terms of net income in 2008 prepared and published non-financial reports. For comparison – with 250 companies in

developed countries prepare reports 80% of companies, with 2200 companies in developing countries – 45% of companies [3, p. 34]. Also experts of centre «CSR Development» note the continuing trend of the quantity of non-financial reports in Ukraine in all subsequent years.

In our view, this demonstrates a lack of sufficient professional scientific and practical discussion about changing the essence of business, the idea of its aims and main functions. Although the problematic of conceptual approaches to the study of social responsibility of business is present as at foreign (M. Friedman, M. Porter, R. Buchholz, P. Glasbergen, J. Elkington, A. Carroll, S. Sethi, P. Kotler, R. Freeman, J. Post, L. Preston, S. Sachs, P. Drucker, M. Clarkson, T. Donaldson, H. Bowen, J. Longsdon, D. Wood, A. Scherer, F. P. van der Putten), and, in a somewhat lesser extent, at domestic (Y. Siryi, O. Zelenko, O. Koshchiiy, A. Sychenko, H. Ilyina, Y. Blagov, V. Borobey) scientific horizons. In informational post-industrial society with more force declares itself a search and building of civilizational model of relations between business and society, i.e. the knowledge of the conceptual bases of interaction with the environment, the nature of the social role of business in society.

The purpose of this article is identification of social responsibility of business in Ukraine by not only outlining the main conceptual approaches to CSR as a system of relations with the environment of business organization, but their application to current Ukrainian realities.

Within the «theory of corporate egoism» there are several concepts: legal responsibility, economic responsibility and voluntary concept.

According to the concept of legal responsibility company, which operates within the existing legal legislation considered as a socially responsible. The debate over the theory of that concept still continues, because essentially all companies must comply with existing legislation norms and regulations that govern the activities of enterprises. If we consider this level of social responsibility in terms of the experience of developed countries, it is definitely there (level) has lost its relevance and has no right to exist. A completely different situation is at Ukrainian enterprises, it is not a secret that the practice of economic activity shows the prevalence between domestic entrepreneurs of attempts of non-fulfilment of legislated obligations (to minimize tax payments, payment of wages «in envelopes» etc.). Often such actions may be combined with the implementation of voluntary measures and social programs (charity, social packages for employees). Impossibility to include such an enterprise into group of socially responsible necessitates consideration as social responsibility criteria not only a voluntary response of business to the needs of society, but also and strict fulfilment of the requirements set by the state. The reason for this can be searched, according to Ukrainian sociologist V. Stepanenko, that in Ukraine «the expression «Rule of Law», still plays the role of an idealistic stamp in the post-communist context, receives the status of trivial everyday reality in the actual civil society» [19, p. 13-14]. Given these circumstances, we can conclude that despite the general practice to separate legal and social responsibility, we can say that the level of legal responsibility as a special variant of social responsibility still has the right to exist [6, p. 74] in Ukrainian reality, in particular.

The concept of economic responsibility (M. Friedman, M. Porter, M. Kramer) means that social responsibility of business is understood as an economic responsible of enterprise for the implementation of business operations and profitability support. Namely principle of augmented profits is justified as the only principle of the company activity, leaving, thus, neglected social problems. The mail adherent of this concept as mentioned M. Friedman stated: «There is one and only one social responsibility of the business world – to use its resources and engage in activities aimed at increasing profits, providing that it follows the «rules of the game», that means to be involved in open free competition without deception and fraud»[25]. Continuation of the economic responsibility of business we find in work of American scientist M. Porter, in which «business should not try to solve all social problems. It should focus on the most notable business operations that is called corporate competitive context. At the same time business has to coordinate a challenge from the side of shareholders and activists» [26]. Considering Ukrainian business within that concept in general, excluding some positive practices, we should agree with Ukrainian researcher O. Zelenko, which states that the majority of Ukrainian companies, or rather their leaders, adhere to the classical definition of social responsibility of business [6, p. 76], i.e., adhere to the concept of economic responsibility to the society in general and to the local community, in particular [6, p. 74].

According to the concept of voluntary (R. Buchholz, S. Robbins, D. DeCenzo) company, in addition to responsibility required by legislation or the laws of economics, assumes the obligations to achieve long-term goals that are useful to society [16, p. 8]. Currently, Ukrainian CSR implements many voluntary practices that are useful for society. The authors of the publication National Business (Kazakhstan) state: «The model of social responsibility of business is generally lines to the model of the business development» [12]. Therefore, in our opinion, for Ukraine is characteristic mainly oligarchic type, whereby the business itself determines the extent of their social responsibility.

Among the concepts that can be identified within the «theory of corporate altruism» are: concepts of basic business strategy and pro-activity, which emphasize the integration of social responsibility in business activity; the concepts of sustainable development and obligations that structure companies' liabilities.

The concept of basic business strategy implies that the business can be effective only if the society, in which it exists, functions successfully. In this case social responsibility relates to activities, which carried out by the

company to maintain and expand this symbiotic interconnection. If the actions of both business and society are successful, «the fit» of these two subjects together helps to promote an atmosphere of mutual trust and predictability that stimulates doing of business and enhances economic, social and environmental well-being [16, p. 7]. In our view, that concept is not used in the Ukrainian practice, although it is very timely through the construction of the mechanism of social partnership.

In contrast to the concept of basic business strategy based on organic interaction between business and society, the concept of pro-activity (P. Glasbergen) provides also respond to changes in the sustainable development of society. That is, the company, a forecasting social, economic, global challenges that gonna stand in its way, can successfully build its business for its own sustainable development and the general public. It should be noted that the implementation of that concept in Ukrainian conditions is extremely difficult because of the economic and political instability.

The modern conceptualizations of CSR topics develop within the theory of sustainable development: that is a development that occur taking into account the necessity of responsibility of humanity for their own activities to present and future generations [8, p. 166]. The base of the concept of sustainable development of business is the idea of «triune essence», «triune result» (Triple bottom line), that provides the implementation in business organizations activity three key objectives: economic (Profit), ecological (Planet) and social (People), examined by its author British explorer J. Elkington [24]. On mind of academician of the National Academy of Science of Ukraine M. Zgurovskiy, the concept of «sustainable development» is the evolution of doctrine of Ukrainian thinker V. Vernadskiy [2] about the noosphere. Theory and practice have shown that at the turn of the century doctrine about the noosphere had become the necessary platform for the development of the triune concept of sustainable ecologic-socio-economic development [18, p. 4]. Other achievement of Ukrainian scientists in this field is the science «ekohomolohiya» (the science about organic development of human and environment), one of the founders of which is the Ukrainian economist S. Zlupko [7]. In May 2012 the Ministry of Education, Youth and Sports (name of the ministry in 2012) published a draft of the Concept of Ukraine's transition to sustainable development, developed by the National Academy of Sciences of Ukraine [9]. But till now the concept remains just a project.

The concept of obligations (A. Carroll, S. Sethi) affirms that companies need to be assessed not only by their economic success, but also by non-economic criteria. The author of this approach in the context of existing theories unification is an American economist A. Carroll [22], which proposed to interpret the social responsibility of the enterprise as a kind of «pyramid» consisting of economic, legal, ethical and discretionary (philanthropic) responsibilities of the organization. It should be noted that in modern society the observance of economic, legal and ethical responsibility are essential for the viability of enterprises in any industry, while discretionary responsibility can indeed be evidence of responsible attitude of managers and business owners to the needs of the environment in which they operate [4].

Among the concepts that operate within the «theory of rational egoism» are: the concept of social-ethical marketing, stakeholders, corporate citizenship and corporate reporting, which differ by ways of results achieving.

In general, the concept of social-ethical marketing (P. Kotler) is considered as the study and formation of customer needs and satisfaction them with more effective methods than the competitors, provided rising of the welfare of all members of society. Thus, this is a mechanism of coordination of needs and interests of consumers, needs and interests of enterprises and needs and interests of society as a whole [10, p. 117]. In Ukraine this concept is widely used and many Ukrainian companies flaunt their social steps about consumers that are paid by consumers themselves, thus, replacing CSR by socio-ethical marketing [10, p. 120-121]. But social-ethical marketing is just a good, conscientious and legitimate way of getting sustainable income. CSR is not intended to maximize profits. Though, social-ethical marketing can be the first step of the implementation of programs of social responsibility. According to ESOMAR research (The essential organization for encouraging, advancing and elevating market research worldwide) in March 2010 it was found that 98% of companies in the world, operating under the concept of social-ethical marketing, implement in practice social responsibility programs [10, 11].

The idea of the stakeholders' concept (R. Freeman, J. Post, L. Preston, S. Sachs, P. Drucker, M. Clarkson, T. Donaldson) is that in the organization and beyond, there are certain groups of stakeholders (shareholders, employees, customers, suppliers, local community, the state and society in general) that affect the organization or the organization itself affects them (stakeholders). Talking about the stakeholders' concept, P. Drucker noted that it can «tame the dragon», i.e. to transform social problems to economic opportunities and economic benefit, to production capacities, competence of personnel, strengthen the competitive position of the company [5, p. 78-96]. So, we agree with the statement of Ukrainian scientist O. Koshchiiy that at the beginning of the XXI century that concept is topical because it provides an opportunity to move from sporadic contacts with stakeholders, to creating a system of joint activities with them for improving the welfare of the organization by satisfaction of stakeholder interests [11, p. 14].

Modern corporate citizenship (H. Bowen, J. Longsdon, D. Wood) is seen as «a business strategy on interaction with the society in order to ensure effective sustainable development and the formation of own reputation as a responsible «corporate citizen», a full member of such development» [13]. Corporate citizenship is based

on the idea of active participation of corporations in all spheres of society life, being responsible for its development along with the state. On mind of Ukrainian researcher O. Sychenko, the features of implementation of the concept of corporate citizenship in Ukraine are genetic incompatibility of state paternalism with new socio-economic conditions, the corporate sector immaturity, low legitimacy of ownership, insignificant information transparency, the lack of clear criteria for selection and subsequent evaluation of the efficiency of realized social projects in many large companies, social inertia, spontaneous process of institutionalization of social investments, low level of trust between the society and businesses that is essential condition for constructive cooperation between them [14]. Given the statements of head managers of some companies in Ukraine such as Kyivstar, SCM, Microsoft Ukraine, Ernst & Young, DHL Express in Ukraine «to build a successful and profitable business and be a responsible corporate citizen» [17, p. 14], in our view, to talk about the concept of corporate citizenship in Ukrainian business is too early.

The concept of corporate reporting emphasizes that the companies in some way are responsible for the consequences of their actions and therefore should be more accountable to the society except the accountability to stakeholders. So far the primary mean of accountability is to create transparency by reporting about non-financial activities and contacts with stakeholders [16, p. 8]. Social / non-financial reporting concerns of business value, namely such its aspects as reputation, customer loyalty, reliability [15, p. 90]. The combined share of companies engaged in social reporting in Ukraine amounts to 11.44% of GDP (or 108,774 billions UAH) by total revenue. Non-financial reporting in Ukraine, according to experts of NGO the Community socially responsible business, is far behind in its spread to other countries and has a considerable potential for the development [3, p. 34].

From carried out analysis of CSR concepts, we can conclude that the majority of Ukrainian companies operate according to the «theory of corporate egoism», i.e., act within the legal, economic and voluntary responsibility. Thus, the Ukrainian social responsibility is between levels «legal responsibility» and «strategic philanthropy» of CSR Value Curve [21]. Therefore, it is within the traditional paradigm of CSR, in which social responsibility synthetically is combined with the activities of the companies and is mainly seen as philanthropy. (By Swiss scientist A. Scherer, traditional paradigm of CSR can be considered a «paradigm of nation states» that is not appropriate to the era of globalization [28, p. 415]). Also, it can be affirmed that the business organizations in Ukraine, according to the theory of Dutch scientist F. P. van der Putten [29, p. 3], use an instrumental approach to social responsibility, whereby the company acts as a tool for wealth creation, and all its social activities are aimed at achieving of economic results.

In her work Ukrainian scientist H. Ilyina [8] indicates that the transformation of CSR paradigms is influenced by two fundamental factors – «postnational constellation» (a condition in which there are formed a leading international role of corporations and no sufficiently powerful international organizations to monitor their activity [20]) on the one hand, and the need to respond to global environmental threats on the other. Under the influence of these circumstances, the traditional paradigm of social responsibility of business changes to modern. Within the modern paradigm CSR is integrated into the organizational structure of the companies and provides the introduction of «triple result strategy of sustainable development», combining equivalent and balanced development of three components – environmental, social and economic. It gives the possibility simultaneously to achieve two aspects of CSR: normative or positive, which defines Russian researcher Y. Blagov [1]. Normative is based on the axiomatic obligation of the company to follow standards of social responsibility because business is the subject of society and, therefore, must take into account its needs and interests. Positive, in contrast, is based on the understanding that in the process of its activity the company is realizing the principles of CSR, reaching own goals.

In our interpretation Ukrainian social responsibility can be described as legal, that acting under legislative requirements and economic tasks. The essence of CSR is not in doing what should be done, but in voluntary, which we understood as a conscious behaviour change that provides responsible positive impact on the society and ethical duty to it; definition and response to social demands of society while strengthening its position.

The emergence of the discussion concerning the defining of basic social tasks of social responsibility by finding balance the interests of business and society as a whole, interests of business and immediate environment, balance the interests of business and its internal environment requires consideration and analysis of social responsibility through the prism of relationships of entrepreneurship with key stakeholders. In turn it can be one of the directions of the future researches of this phenomenon.

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