

## EVALUATION OF CORPORATE SOCIAL RESPONSIBILITY BUSINESS-PRACTICES: EU AND UKRAINE

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**Abstract.** The research presents a comparative evaluation of modern CSR business-practices of the European and Ukrainian companies. In this study we compare modern business practices of CSOs of European and Ukrainian companies for their terminological identification and levels of understanding. We also evaluate their motives, main areas of application, the existence of a formalized CSR policy, forms and tools of CSR practices, key barriers, methods of interaction between companies and their stakeholders, perspectives and priorities for the development of CSR practices in Ukraine.

**Keywords:** corporate social responsibility (CSR), CSR business practices.

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### Introduction

One of the main tasks of researchers in the sphere of corporate social responsibility of business remains the definition of the concept of CSR and its measurement.

A number of fundamental researchers of CSR (Caroll (1991, 1999), Grayson, Hodges (2004), Husted, Allen (2007), Porter, Kramer (2006)) created a broad conceptual framework to solve this problem. In the scientific environment there are opponents of this concept Friedman (1970). He is not arguing that businesses should never engage in activities that increase the social welfare; in fact, he argues that free-market capitalism itself increases social welfare. The world's first complete reference on CSR was compiled by the Institute for Corporate Cultural Affairs (the ICCA), (*The A to Z of corporate social responsibility, 2007*). The entries have been written by leading experts, global thinkers and CSR practitioners.

CSR is the concept that companies, in addition to complying with the laws, voluntarily assume additional obligations to society in the sphere of ecology, social justice and equality to ensure a dignified life on Earth for future generations.

In order for CSR to be accepted by a conscientious business person, it must be framed in such a way as to cover the full range of business responsibilities. Therefore, it is proposed that six types of social responsibility constitute a common CSR: economic, environmental, social, ethical, information and management. Today, CSR tools are used by business companies to form their image, competitive advantages in the market, to increase their investment attractiveness. As never before, Western investors attach importance to the reports of companies and the form of their submission.

The desire of investors to receive data in a transparent and understandable way, together with the growth of social consciousness, served as an impetus to the beginning of the transformation of business reporting forms. The public is not enough to see only financial indicators, it needs to know how the company's activities affect the environment and the

climate, whether it respects human rights, there are no loopholes for corrupt schemes. Information is necessary, but extremely difficult for accurate calculation and structuring. The response to the demands of all stakeholders was the emergence of reports on sustainable development, that is, non-financial reports (Global Reporting Initiative).

Current business environment with its tough competition actualizes the necessity for joint efforts of all its participants not only in the improving of business efficiency, but also in the struggle for survival and sustainable development. European companies demonstrate positive growth of corporate leadership practices in sustainable development. The leaders of applying the practices of corporate social responsibility (CSR) at global level are the companies of the continental Europe and the UK. The CSR practice is a relatively new activity in the Ukrainian business environment.

The research «Comparative Evaluation of Corporate Social Responsibility (CSR) Business-Practices: EU and Ukraine» (2015-2016) was conducted in May 2015-June 2016. The assessment of current CSR business practices of the European and Ukrainian companies for their terminological identification and the comparison of their levels of understanding of CSR, their motives, basic spheres of application, the existence of the formalized CSR policies in companies, the list of forms and instruments of CSR practices, the key barriers, the nature and methods of companies' external interactions, the perspectives and priorities of CSR practices development in the Ukrainian corporate sector are presented in the results of the research "Comparative Evaluation of Corporate Social Responsibility (CSR) Business-Practices: EU and Ukraine" (2015-2016) according to the joint project of Jean Monnet Foundation and Vadym Hetman Kyiv National Economic University (#553110-EPP-1-2014-1-UA-EPPJMO-MODULE). It covers 214 companies from Ukraine and Europe that are present in the Ukrainian business environment. The digital version of research results was published on the official project website (The official website of the project European Business-Practices of Corporate Social Responsibility (CSR)).

### **Methodology & research tools**

The results of the analysis and generalization of international experience in the assessment of corporate social responsibility of companies (*Global Reporting Initiative, 2018*), Robeco SAM's Corporate Sustainability Assessment Methodology (2014), MSCI ESG Impact Monitor (2014)) have allowed to substantiate and develop the diagnostic parameters on the basis of which the author's assessment of CSR of companies will be conducted.

The most used in the world - the Global Reporting Initiative (GRI), about 80% of the world's public non-financial reports are compiled with their use. They include such important concepts as materiality-that is, the definition of which transactions to consider essential and mandatory for disclosure in the report, and also take into account the interests of not only shareholders, but also all interested parties. In the 20 years since the 90s, the company has earned the status of an expert in this field, which has raised the value of its recommendations to a high standard.

The key task of the research is the study of practical approaches of integration CSR experience into the strategic aims of the companies of Ukrainian business environment and active involvement of students into participation in the research with the aim of distribution of the European values and popularization of CSR in Ukraine.

The primary purpose of the research is to study the modern practices of CSR for the subject of its terminological identification and to compare the understanding and the

realization of CSR practices by the European and Ukrainian companies, which operate in the Ukrainian business environment.

Basic tasks of the research are the following:

- to find out an awareness and understanding of CSR concepts
- to define the reasons and spheres of CSR
- to find out the presence of the formalized policy in the sphere of CSR
- to define the forms and instruments of CSR
- to outline the circle of officials by functional providing of CSR implementation
- to estimate the presence, forms of cooperation and character of cooperation of company with the basic groups of stakeholders in the sphere of CSR
- to define the main approaches of the companies` personnel policy
- to find out the forms of companies` activity monitoring in the sphere of CSR
- to outline the basic barriers and problems of the mentioned sphere
- to name the influence factors of decision making in the sphere of companies` CSR
- to define the basic instruments of popularization of CSR practices of the company
- to find out the sources of ideas for CSR development
- to estimate the prospects and priorities of CSR development
- to estimate the features of dependence of CSR practices from the company sizes, types of ownership, sectors of economy and regions of the country.

The mentioned factors were put into the basis of development of the tools for scientific research. The designed questionnaire "Practices of Corporate Social Responsibility of the Ukrainian Business-Environment" includes 5 key blocks (1. General description of the company; 2. Understanding of CSR categories; 3. Forms and instruments of CSR practices; BLOCK 4. Problems and barriers of CSR practices; 5. Prospects and priorities of CSR practices development).

The questionnaire was conducted by personal interview. It was carried out on the level of top-management of the companies of Ukrainian business environment, aiming to determine the most competent estimations: heads of the companies and their deputies, directors of the specialized subdivisions in the sphere of CSR management and their deputies. The respondents were acknowledged about 90-100% of the information related to the company's activity in the sphere of CSR: public relations of the company, ecological aspects of activity, internal policy and relationships with employees, its policy and partnership relations with different groups of stakeholders. It allowed to receive fair answers for each of the research questions.

### **Data**

The total amount of 214 European and national companies of the Ukrainian business environment, activity of which extends on 22 Ukrainian regions, made up the research. Shaping the total amount of the selected companies for the research was carried out with accordance to the work-practice plan for the students of the master's degree program International Business Management at Vadym Hetman Kyiv National Economic University (2015-2016).

The researched companies were divided into the European (25% of respondent-companies)<sup>1</sup> and national (75% of companies-respondents). Such approach for the selection of the companies has defined the basic limitations of this research: the design of respondents' selection - 214 companies; the absence of 100% regional and branch representation (Table 1.), that is explained by excluding the Crimea and the occupied regions of Donbas from the research selection.

The structure of the surveyed companies for the research is presented in the Fig.1, 2, 3, 4.

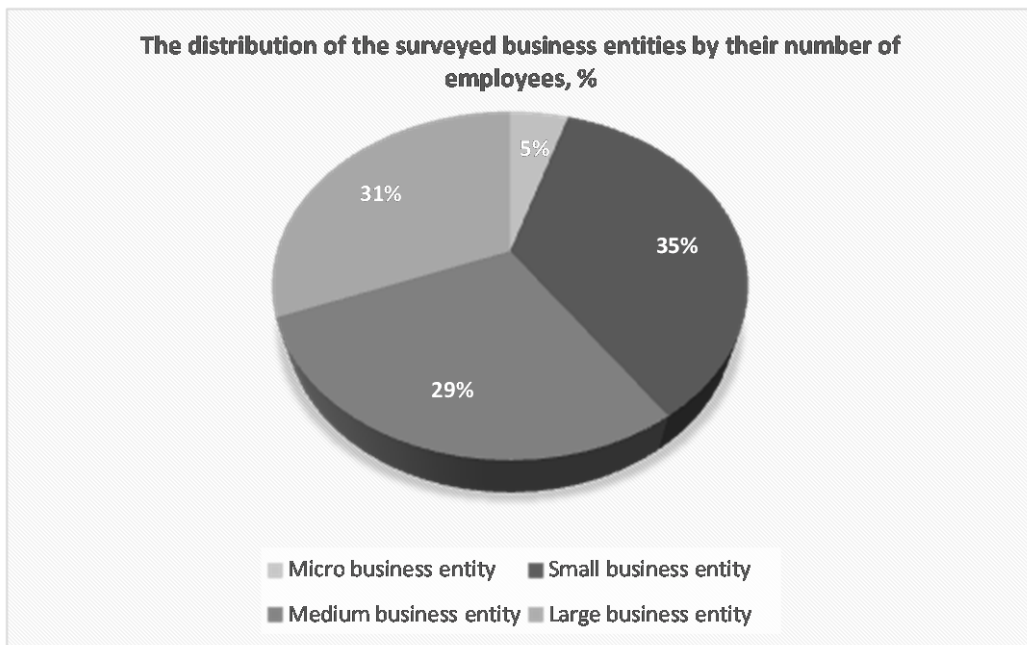
Table 1

**Regional structure of the research “Comparative Evaluation of Corporate Social Responsibility Business-Practices: EU and Ukraine”, 2015-2016**

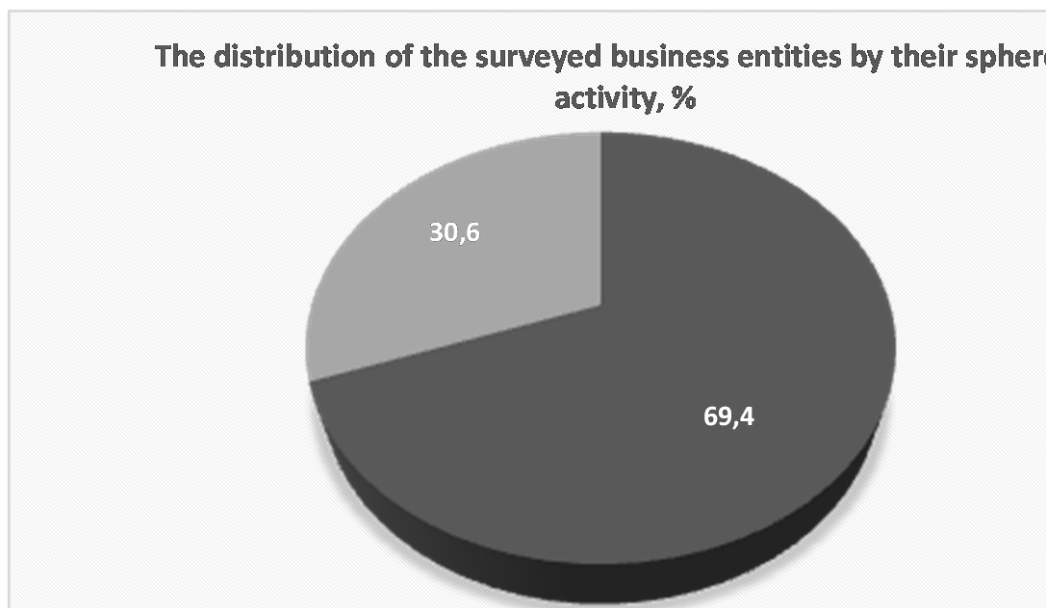
<b>Regions</b>	<b>% of respondent-companies</b>
1	2
Vinnitsya	6
Volyn	4
Dnipropetrovsk	4
Donetsk (non-occupied region)	4
Zhytomyr	4
Zakarpattia	4
Zaporizhzhya	4
Ivano-Frankivsk	4
Kirovohrad	4
Kyiv	10
Luhansk (non-occupied region)	4
Lviv	4
Mykolaiv	4
Odesa	4
Poltava	6
Rivne	4
Sumy	4
Ternopil	4
Kharkiv	4
Kherson	4
Khmelnysk	6
Chernihiv	4
<b>Total</b>	<b>100</b>

*(Comparative Evaluation of Corporate Social Responsibility, 2016)*

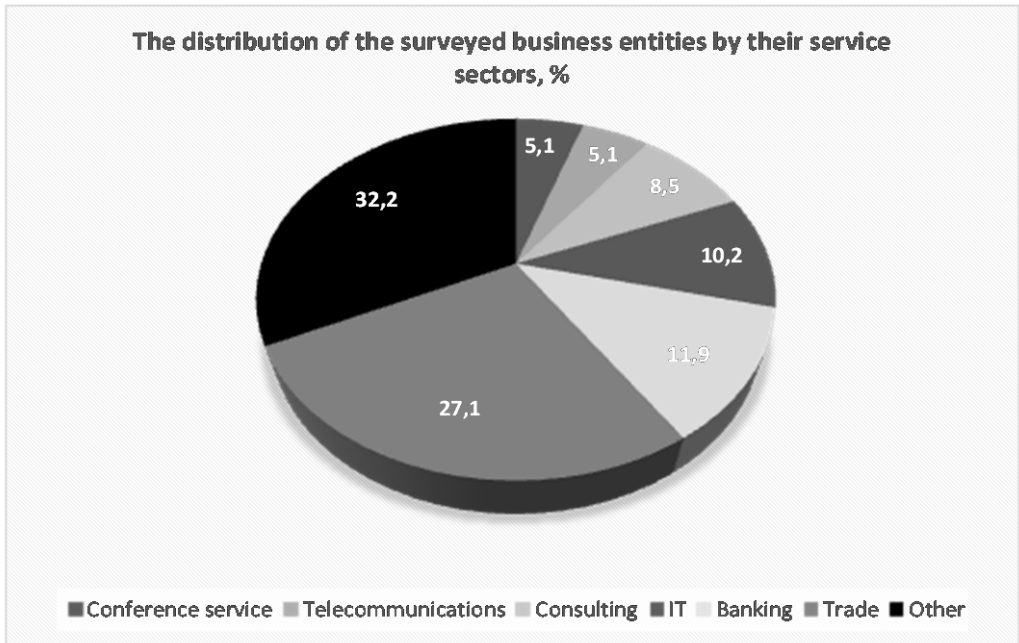
<sup>1</sup> The following companies were referred to the group of European respondent-companies: the branches of the European companies; the companies with foreign European capital and management; the companies that operate in the European markets



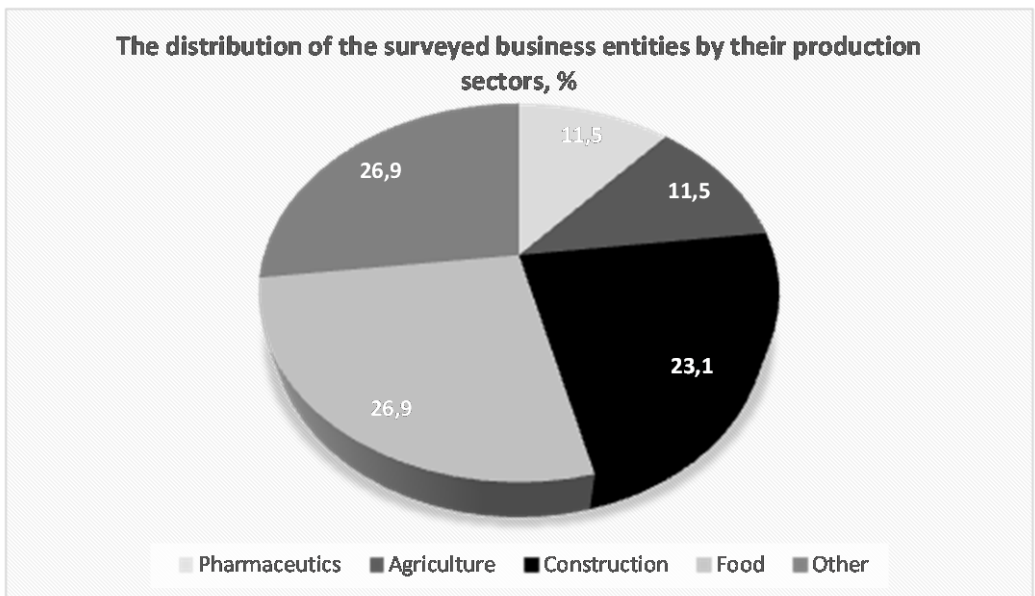
**Fig.1. The structure of the surveyed companies for the research**  
*(Comparative Evaluation of Corporate Social Responsibility, 2016)*



**Fig. 2. The structure of the surveyed companies for the research**  
*(Comparative Evaluation of Corporate Social Responsibility, 2016)*



**Fig. 3. The structure of the surveyed companies for the research**  
*(Comparative Evaluation of Corporate Social Responsibility, 2016)*



**Fig. 4. The structure of the surveyed companies for the research**  
*(Comparative Evaluation of Corporate Social Responsibility, 2016)*

## Results of the research

According to the results of the research “Comparative Evaluation of Corporate Social Responsibility Business-Practices: EU and Ukraine” (2015-2016) the major part of the polled European and national companies of large, middle and small business, as a rule, is not oriented on the development of clearly defined CSR strategies or is on the stage of passive observance of the corresponding legislation and realization of separate local charity projects of a conjuncture type. The recognized leaders of CSR practices implementation in the Ukrainian corporate sector orient their responsible business-behavior on increasing international competitiveness of the companies with the help of formation of effective partner relationships with shareholders, personnel, suppliers, consumers, state administrations, regional communities and public institutes. The distribution and adaptation of their experience of realization of innovative responsible practices is becoming possible in the Ukrainian business-environment under positive economic dynamics and proper resource providing.

The conducted research of comparative assessment of CSR practices of the European and national companies, that function in the Ukrainian business-environment (2015-2016), allowed to find out the range of variant divergences and the features of their realization in the following systems of criteria: terminological identification of the concept “CSR and its practices”; reasons and basic spheres of application; presence of the formalized responsible policy, forms, instruments and functional providing of its realization; basic barriers, character, methods and forms of external cooperation of the companies; monitoring of the responsible activity of the companies; basic instruments of popularization of the responsible practices and source of ideas, prospects and priorities of their development.

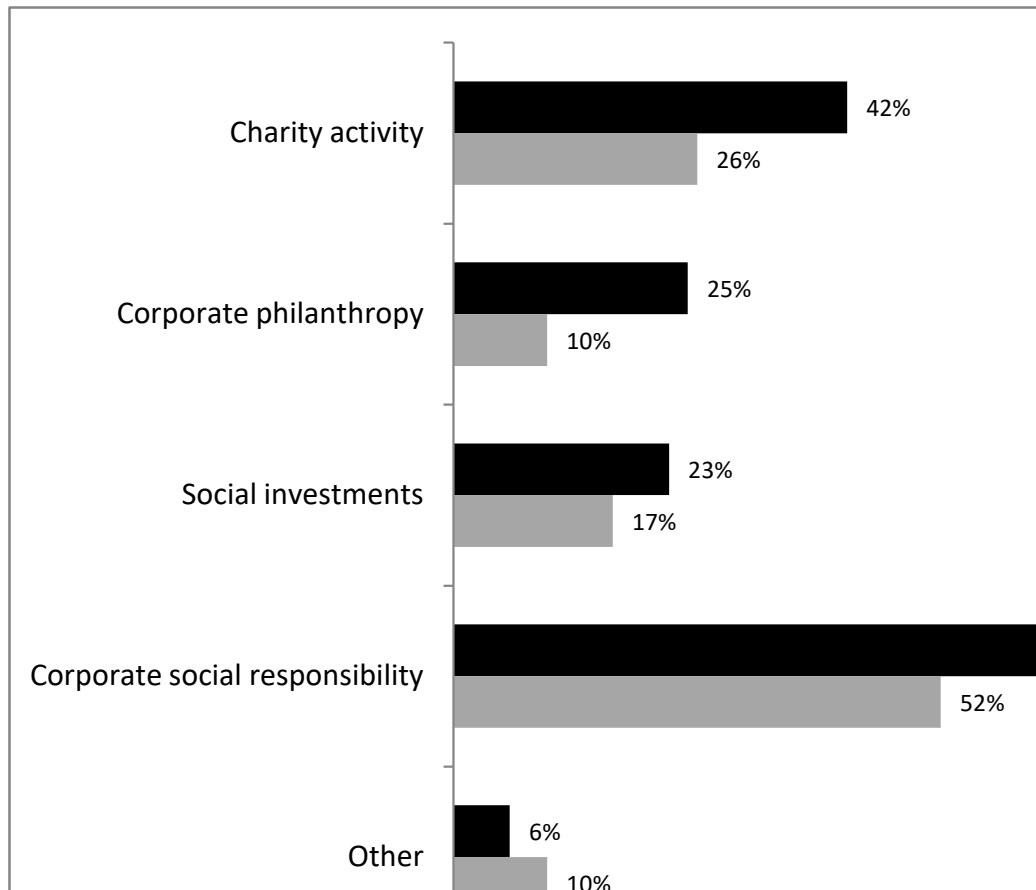
All the companies-respondents know about the CSR of business. Identification of the social activity of the questioned companies is presented on the Fig. 5. According to research results, 75% of the European companies-respondents of the questionnaire use the term “CSR”, only 52% of the national companies confirm this statement. The estimation of the questionnaire of national respondents allows to draw a conclusion, that 26% see it as charity activity, 17% - as social investments of the company, 10% - as corporate philanthropy, cannot define it - 10%. It should be noted that the corresponding indexes of estimation by the European respondents of the questionnaire are considerably higher. Namely: 42% of the respondents determine the social activity of company as charity activity, 25% - as corporate philanthropy, 23% - as social investments and only 6% of respondents cannot identify it.

The level of understanding of CSR, while including the complete list of activity spheres, distinguishes the group of the European companies from the national group. However, the range of divergences of their estimations of the questionnaire is insignificant.

The companies-respondents of the research, in general, are characterized by low level of understanding the CSR, by inexact motivation system, by the absence of key spheres of realization and formalized policy, imperfection of its forms selection, instruments and identification of its functional providing, absence or low quality of monitoring, presence of legislative, economic, psychological and other barriers.

All companies-respondents practice some socially responsible practices. In the observed period (2015-2016), the major part of the European and national respondents of the corporate sector of the Ukrainian economy carried out the CSR practices non-systematically and not within the framework of the planned strategy. It means that practices of CSR are not perceived by mentioned business structures as a part of strategic management. The

instruments of implementation of CSR practices for major part of them are PR-measures, codes of ethics or corporate behavior and reporting standards.



**Fig. 5. How would you define the social activity of your company? (% of positive answers of the interviewed respondents)**

*(Comparative Evaluation of Corporate Social Responsibility, 2016: 9)*

The level of CSR understanding with inclusion of the complete list of activity spheres sharply distinguishes the group of the European companies from the group of national. The first group has a complete idea about of CSR content, while the second group sees CSR activity in charity activity and social investments. The basic reasons for CSR practices of the European and national respondents are perceived in the positive image of company, introduction of common standards, social protection of employees, decision of management and tolerance with authorities.

On the first place by popularity of spheres of application of CSR practices the polled European and national respondents put social protection of employees of the company. On the second place - ecology and environment, on the third place - health protection. The basic barriers on the way of CSR implementation into business practices are seen by respondents as



the absence of sufficient money and support of the state. The prospects of development of CSR in the Ukrainian business environment in the opinion of the European respondents depend, first of all, on international initiatives, economic development of the state and on the level of spirituality of the company. National respondents put the policy of the state into the first place.

Regional and branch differences of CSR practices assessment of the European and national companies in the Ukrainian business environment did not appear to be meaningful. The research experts outlined the tendency of dependence of the level of company's awareness on the size of company: the bigger company is, the higher level of its awareness about CSR is.

The tendency of realization of the importance of socially responsible business behavior is observed during the last decades in Ukraine. The research on the CSR practices of the companies of the Ukrainian business environment in 2015-2016, unlike the favorable conditions of the identical research in 2010-2011 (research project within the framework of inter-department scientific theme "Resources and models of global economic development", state registration number # 0106004357), was conducted in the period of global financial crisis that substantially influenced the policies and practices of implementation of principles of responsible behavior in business activity. Especially it affected the activity of the companies of small and middle business. Research experts also notice, that its results should be analyzed, first of all, as a cut of changes that happened in key development trends of CSR practices in Ukraine in the period from the year 2004 to the year 2016, but not as quantitative description of social responsibility development in the country.

According to the research results priority goals were formulated, realization of which will contribute to further intensification of CSR practices in the Ukrainian business environment:

- strengthening of informative and methodical basis for the tools of CSR practices realization
- activation of enlightenment activity in the sphere of CSR and refocusing of business interests of the companies
- presentation of modern instruments for strategic planning, monitoring and estimation of CSR practices
- improvement of legislative base in the sphere of CSR.

### **Conclusions**

The generation of CSR practices of the researched European and national companies of Ukrainian business environment is characterized by the variety of forms and stable tendency for expansion. The amount of social responsible investment funds, the amount of companies, that publish social reports, the amount of on-line guides and courses, aimed at studying of CSR and its practices, the amount of companies, that have the special subdivisions in their organizational structure and are responsible for the development and realization of the strategy of sustainable development of the company, increases constantly.

The most widespread practices of CSR in the corporate sector of Ukrainian economy are the charity practices that differ in scales of realization and system. In modern Ukrainian business environment there is an active institutionalization of corporate charity with separation of corporate and private funds, with involvement of noncommercial organizations into realization of practices of corporate responsibility. In our opinion, social marketing

should be mentioned, as a practice of improving the competitiveness of the company due to the unification of responsibility for quality, ecology, energy efficiency of products or services of company and its profitability.

The role of the state in the development of CSR practices is lying in the active informing of society and business structures about their possibilities, in popularization of successful practices and results, education and support of interest in the outlined sphere.

Generalization of experience of CSR practices implementation leads to the real decline of the social load of the state due to the partial transferring of the part of its powers in the solution of social problems to business structures.

The most perspective practices of CSR in the Ukrainian business environment, in our point of view, are the practices of social partnership, as a specific activity of corporate responsibility, that is oriented on expectations and interests of the state, owners and employees of company and appears under conditions of corporate initiation, as an answer to the queries of public society and the absence of legislative regulation of realization of similar CSR practices.

The successful realization of CSR practices works not only for the image of the company among its own stakeholders but also allows to increase considerably the incomes of the shareholders of the company. Under conditions of the state support, inheritance and adaptation of the experience of successful practices of responsibility of the European and national companies the mentioned practices will grow into the powerful resource of development of CSR model in Ukraine. The success of realization of CSR practices is based on systemic approach and on perception of this category as a strategy for sustainable development of the company while taking into account the interests of key groups its stakeholders: employees, top-management, shareholders, investors of company, clients, consumers, partners, competitors of public, state institutes, regional communities.

The realization of professional interests of all the participants of the business environment, the realization of mechanisms of property “diffusion” (expansion of participation of employees in property and management), observance of ethical principles in relation to society, state, business-structures, personalities will allow the ethic business practices to grow into motive force of overcoming the biggest part of moral problems of the global business of environment.

The implementation of CSR practices allows to reveal the innovative potential and to realize the strategy of sustainable development of the company in the global environment.

While being oriented on successful CSR practices of the European companies, while using the creative ideas of specific practices and the schemes of their implementation into business processes, the Ukrainian companies will be able to increase own social effect, that will contribute to sustainable development of the region, to strengthening of socially responsible image of the company, to its economic effectiveness and international competitiveness.

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