



Macroeconomics

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**CORPORATE SOCIAL RESPONSIBILITY
IN THE CONTEXT OF THE PARTNERSHIP
INTERACTION FORMATION
BETWEEN STATE, BUSINESS AND SOCIETY**

Abstract

Strategic imperatives of the corporate social responsibility (CSR), in the TNC-section, of the state and society in the context of globalization and of reaching for the norms and rules, oriented at activation of their partnership interaction are defined. Motivation of the companies in the sphere of socially responsible business under condition of geo-economic challenges is distinguished. Issues of CSR formation in Ukraine are substantiated. The efficiency of CSR-practice implementation in the world dimension (a positive correlation between earning assets and social activity, ROI, improve competitiveness of the companies, modification of the competitive relations in the international markets, increasing of a valuable component and reputation of a company, management diversification in the sphere of partnership) is derived. Issues in CSR-sector that demand a further research are outlined.

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Key words:

Corporate social responsibility, TNC, geo-economic challenges, implementation, image, strategic imperatives.

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Introduction

The world economy is currently under a tremendous influence of transnational corporations (TNC) as the important subjects of the economic activity. Under conditions of the geo-economic challenges, exacerbation of contradictions in triangle State-Business-Society, caused by the necessity of a modern social system formation, a role of the corporate social responsibility (SCR) increases, as well as an implementation of its practical experience into the activity of the national subjects of economy and attempts to balance their interests under condition of the national legislation and overnational initiatives, able to provide with the multifunctional norms and rules of the corporate interaction in the global extent.

The purpose of the article is to analyze a social partnership in the framework of strategic imperatives of CSR at the level of state, business and society under conditions of globalization and geo-economic challenges; to diversify the approaches regarding the implementation of foreign practices in the part of consolidation of the efforts of state and Ukrainian business to solve the urgent social problems.

Task of the article is to examine the problem of business socialization, its cooperation with state and society; a search for standardization of these relations at the global and local levels; to find out the TNC motivation in the context of the CSR efficiency aiming to generate its activity with a positive influence on society and state; to distribute forms of the CSR institutionalization as a world experience of recognition of the TNC role under conditions of globalization.

Analysis of the recent researches and publications. Theoretical and practical aspects of CSR were substantially investigated by both the foreign and national scientists, such as: H. Bowen, G. Gantt, Ph. Kotler, M. Friedman,

D. Baiura, Z. Galushka, O. Grishnova, O. Liashenko, L. Petrashko, and N. Sapyrkina. However, the problem of formation of the steady partnerships' relations in approaches to CSR between state, business and society demands a further investigation in order to consolidate their collaboration that will guarantee an income in business, a successful functioning of economics in state and a beneficial development of society.

The basic material

In a modern turbulent world, CSR should occupy its niche in a triangle of State- Business-Society. An essential divergence in the theoretical approaches towards this problem, specifically, regarding the formation of the strategy of TNC in the sphere of CSR (global and local levels) induces to a further research. Social corporate responsibility- is a free choice for obligation to increase a social welfare by means of the correspondent approaches to business administration, as well as the delivery of the corporate resources (Kotler Ph., 2005). The World Business Council for Sustainable Development characterizes CSR as «an obligation of business to promote a sustainable economic development, cooperating with freelancers, their families, local communities, and society in a whole, aiming to improve the quality of life» (Kotler Ph., 2005). «Business for Social Responsibility» organization defines CSR as «a kind of doing business that satisfies or exceeds ethic, juridical, commercial and public expectations, which society connects with business» [Electronic recourse]. Proceeding from these definitions, TNC should meet social demands in education, medicine, science, production, environmental protection, that is to guarantee a well-balanced development of society. At the stage of the post-industrial development of the world economy, the problem of creation of exclusive norms and rules of the corporate cooperation in the world dimension has appeared to be rather actual.

Advancing of these demands to TNC is connected with a growing influential role of a big business in the world economy, from one point; and from the other, by incapacity of the national economics to satisfy the increasing needs in the social sphere because of financial crisis. Finally, it may lead to exacerbation of the social-economic contradictions in the modern world. Corporate corruption that takes place in the present design of a corporate behaviour also promotes. Professor of economics Jeffrey D. Sachs considers that «the corporate corruption is uncontrollable owing to 2 basic reasons. Firstly, nowadays, big companies are multinational, while the governments remain to be national. Secondly, big companies are so financially powerful, that the governments do not risk challenging them» [Electronic recourse; p. 19]. That's why, the modern corporate administration has to expand on the business processes, strategy, aims, controlling structures, organizational and economic mechanisms as well as on the ethic

rules of the TNC behaviour. Formation of the efficient systems of the corporate administration on the basis of CSR always favours a confidence of strategic and portfolio investors, stock-markets and all parties concerned (Baiura D., 2013). The famous corporate social initiatives, are known as six ways to welfare (Table 1), haven't yet become a motivation in the sphere of CSR for TNC.

Efforts to attract business to these positive aspects should occur on 3 levels: (Fig. 1).

Table 1

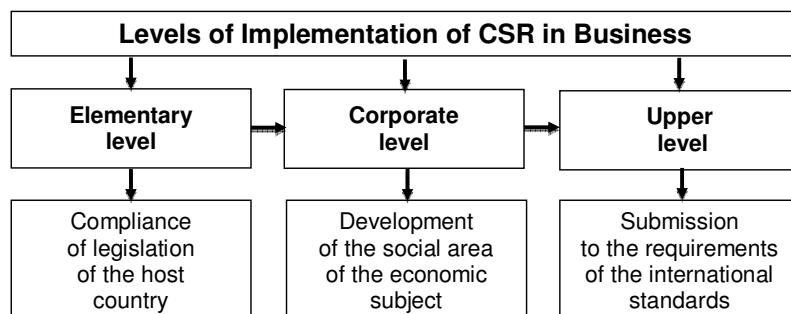
Examples of Social Initiatives of Washington mutual

	Promotion of the socially useful business	Charity Market	Corporate Social Marketing	Corporate Philanthropy	Volunteering for Community	Socially Responsible Approaches to Business
Description	Support of the socially useful affairs through sponsorship.	Contributions or payments of interest income on a matter under the sales.	Support campaigns for change such social behaviour.	Transfer funds directly to organizations or projects.	Provide volunteer services to the community.	The introduction of responsible business approaches and investments to support public benefit affairs.
Example	WaMu sponsors the programmes of teacher's recruitment.	WaMoola for School programme combines support schools using Visa cards.	WaMu sponsors banking days in elementary schools when parents and volunteers agitating students to open and to deposit accounts.	WaMu allocates grants for professional development of teachers.	WaMu supports the volunteer work of its staff at schools and organize an around-school territory.	WaMu provides a workplace studying for trainees- pupils of the secondary schools.

Source: Lytvynenko T., 2013, p. 29.

Figure 1

Levels of Implementation of CSR in Business



Source: Compiled by author on the basis of (1).

CSR efficiency is depicted in researches that were realized by the American TNC. The results of studies, conducted by Walker Information for companies working in the field of retail found a direct dependence between the social responsibility (a cumulative effect of their positive influence on society), their reputation and brand loyalty of consumers. In particular, the following results were obtained: increasing by the enterprise its social value for one point leads to improved reputation by 0,55 points while economic increase in value at the same point – by 0,32 points. Thus, improving social indicators in comparison with the economic ones, gives a nearly twice greater positive effect, associated with the increasing company reputation (Pashnyuk L., p. 36). Research conducted by the Conference Board company (469 American enterprises, functioning in various branches, were investigated), showed a considerable positive correlation between yield assets (ROA) and social enterprise activity; a significant positive correlation between yield sales (ROS) and social enterprise activity; a positive correlation between capital and yield stocks (ROC and ROE) and social enterprise activity. Total profit of the shareholders of those companies with high financial and social indices over the past 15 years has increased by 43%. While the index for a successful financial enterprises increased by only 19%. Hence, the enterprises interest in the development of the socially economic and economic spheres brought the dividends, namely: yield sales of the socially active enterprises increased by 3% compared with companies that were not engaged in such kind of activity; yield assets increased by 4% and capital and assets- by 10% (Pashnyuk L., p. 37).

Standards and methods of evaluating of the CSR efficiency are highlighted in several prestigious journals, including:

- Reports from the Council on economic priorities- a research organization that evaluates companies' activity in many social parameters and issues «Shopping for a Better World». Aim of this issue is to influence on the purchasing decisions of consumers;
- The annual list of the most respected American companies by the survey of 10 thous. financial managers and analysts, conducted by global consulting firm Hay Group. Respondents evaluate companies on a scale from 0 to 10 in the following eight parameters: innovation, financial prudence, professional level of employees, implementation of the corporate assets, return on investment in the long run, the quality of goods and service and social responsibility;
- «Business Ethics» journal publishes a list of «100 Best Corporate Citizens», to mark the company social responsibility regarding all the stakeholders, including environment and community;
- Among other reports- organizations' reports: «Global Reporting Initiative», «Global Principles by Sullivan», «Social Responsibility – 8000», «Round Table in Quo» (Switzerland), «Confessional Centre of Corporate Responsibility», «Light Standards of Corporate Reporting to the Community», «Keidanren Charter for Good Corporate Behaviour» (Kotler Ph., 2005, p. 15–16).

The basic principles of CSR are to achieve partnerships with government, partners and co-workers; business awareness of their responsibility to society. After all, today developed countries form the company's image from its profitability, competitiveness, as well as from the price and consequences for profit. In many countries of the world CSR is strictly regulated by law or is carried out independently within the established company incentives and benefits. CSR concept is widely spread in the European countries. In Denmark, France, Finland and Sweden, CSR is integrated into the state policy. In Greece, Ireland, Netherlands, and Slovenia – it is the exclusive domain of TNC. European companies in the EU are actively integrated into alliance with the corporate social responsibility with the European Commission (EC). Corporate governance of the European continental model practically ensures an equal participation of shareholders and employees in the supervisory boards, the realization of the rights of joint management, as well as, the supervision over the annual shareholders' meetings (Baiura D., 2013, p. 19).

A New Strategy «Europe 2020» anticipates a long term EC planning in the sphere of CSR. Its aims are as following:

- to create conditions favourable to the sustainable growth, responsible business conduct and constant employment in the medium and long-term perspective. Solution of these problems provides: – achieving a balance in relation to CSR stakeholders;

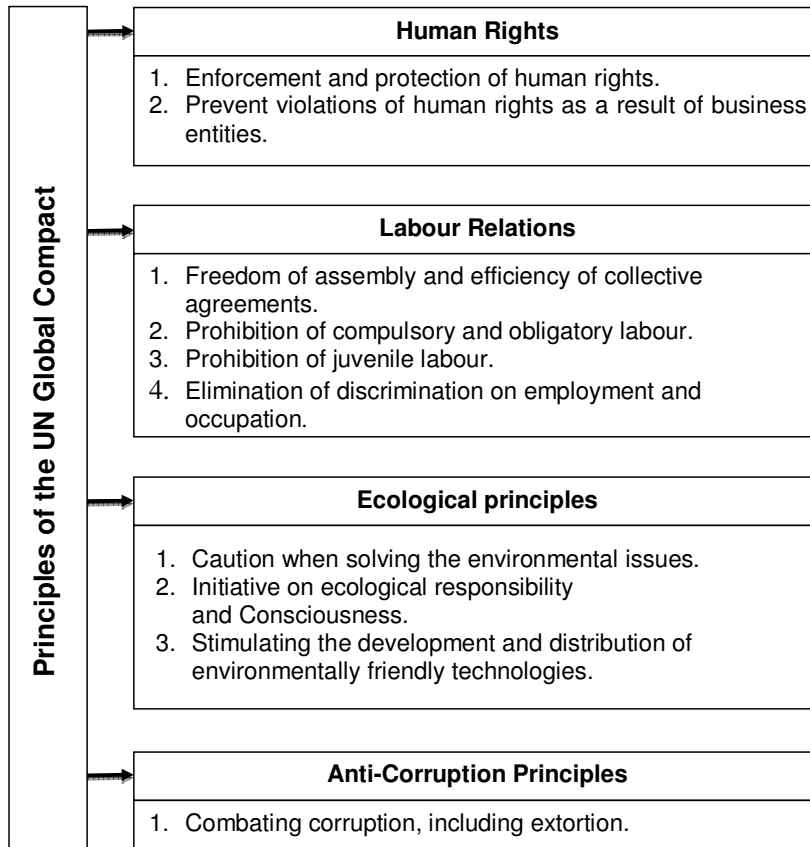
- an increased state attention to TNC activity in terms of CSR;
- balancing of public thought in the context of formation of social capital of business in the social, political and cultural aspects of society.

State support of business and social capital (moral obligations and norms, social values, social networks) are able to ensure the successful operations of the economic system. World experience shows dependence between the levels of formation of social capital and the levels of success of the economy in general. Social capital distribution to GDP growth in 1950 of the XX cent. was 10%, and it increased by 20–25% in 1990 in Great Britain, Denmark, Germany, Sweden, France and Japan [Electronic recourse]. Over the last decade, Canada, France, Japan, the USA, Great Britain, as well as, the countries with a transitive economy- Poland, Romania and Slovakia, have agreed their own requirements for business in CSR within the codes of the ethical norms of management of the companies with the host countries. Society plays an important role in the formation of stable partnership relations. It affects the efficiency of business functioning by a quality of the labour force; by a level of a purchasing ability and by stable working conditions. A prosperous social environment favours the business development and promotes its social responsibility. A successful business creates jobs, invests in the production of goods and service, positively influences on the quality level of professional skills of employees. This necessitates the establishment of such level of co-existence, when the state welcomes business, and TNC maximize a positive impact on society, without spending its own economic efficiency. On the basis of these conclusions, the issue of CSR is in the agenda again- should TNC develop an entirely global strategies on implementing practices of the socially responsible business, or direct its activity to the needs of the local market of the host country? The international structures try to solve these issues.

1992 became the year of recognition of the social role of business at the international level: it was marked by the holding of: «Summit of Earth», where the issue of trying to balance the business interests with the interests of the whole society, especially the issues of the environmental protection, was raised for the first time (Vlasova T., 2013). In 1995 the leading EU companies established a so-called Corporate Social Responsibility initiative – Europe, which has united almost 50 large corporations today. In 2000 at the initiative of the UN Secretary-General- Kofi Annan, a global Pact was set, which called to unite the business efforts and civil society to support 10 principles of human rights, labour relations and environment (Fig. 2).

Figure 2

System of Principles of the UN Global Compact



Source: compiled by author on the basis of [Electronic recourse].

Global agreement provides for financial reporting in the following forms:

- Report on Progress of the Global UN Compact (Communication Progress- COP);
- Report on Sustainable Development of the Global Reporting Initiative (Global Reporting Initiative – GRI);

- other social reports that are independently developed by the enterprises.

Participation in the UN Global Compact and the publication of the report on progress helps out companies to expand on the international markets, establishing business ties with companies all over the world, participating in the international programmes in Public Administration. Report on Sustainable Development of the Global Reporting Initiative provides a system observance of principles of business and informational completion. Along with this, the initiative contains certain shortcomings, in particular, those which consist in the absence of clearly defined methodologies and reporting requirements. Meanwhile, in developed countries of the world, out of the 250 largest companies account for 80% of non-financial reports, and in the developing countries out of the 2,2 thous. enterprises – 45%. In Ukraine, among 100 largest companies, only 10% make and publish such reports (Kupalova G., Matvijenko T., p. 12–16).

Regarding Ukraine, the lack of legislation on socially responsible business is not conducive to the interest of TNC in drawing up these reports. However, in 2012 the Overall Timesheet of forms of state statistical observations, containing «Statistics of ecology» was developed and approved by the State Statistics Service of Ukraine (Order from 30.11. 2011, № 327). We can single out 3 report forms:

- report on air protection;
- the costs of environmental protection and environmental payments;
- waste management.

In addition, there is an Advisory Board to elaborate a National concept of development of the business social responsibility, a socially responsible business community in Ukraine. Among TNC, operating in Ukraine, those which adapt their own CSR strategy with the national conditions and priorities have been appeared: XXI cent., DTEC, Tetra Pak, Obolon', etc.

Conclusions

In the course of the study, the following results are yielded:

- a corporate social responsibility of TNC – is a way of managing business processes to ensure a positive impact on society, it is a business responsibility in the context of solving the most pressing social issues of the recipient country;

- a global strategy can be an effective way of sharing knowledge in the field of CSR via the corporate network. Local strategy is often fragmented and is not able to take into account all aspects of sustainable development in the triangle of state- business- society;
- the formation of stable partnerships between state, business and society must meet a unified mission. To perform this, it will be necessary to develop a system of assistance of CSR at the global and local levels; form a unified approach to CSR at the level of legislative initiatives; strengthen the control of the media consumers as well as the public over the TNC implementation of their obligations in CSR; strengthen the cooperation between state, business and society in the sphere of optimization rules regulating CSR; a constant dialogue of TNC management in a part of CSR in society is a key business ideology, a social partnership basis with the governments at all levels. These and other issues in CSR need a further investigation both in Ukraine, and in world, to achieve a balance between market, institutes of social partnership and problems of society.

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