

THE ROLE OF GOVERNMENTS IN SOCIAL RESPONSIBILITY OF BUSINESS ENTITIES AND THEIR MARKETING

Nagaivska D. Yu.

Simon Kuznets Kharkiv National University of Economics

The concept of the Social Responsibility of Business becomes more elaborate. There are many definitions and models that were developed in last years. However, some aspects of this multifaceted problem require further development, especially – the influence of the quality of the country's economic system and state regulation at the level of social responsibility of business entities and their marketing.

The Social Responsibility of Business is to ensure the comfort and safe working conditions, the fitting salary, the development of social infrastructure, the prevention of evasion from payment of taxes and social charges, the appropriate and sufficient protection of the environment and the introduction and realization of the Social Responsibility of Marketing as well [1]. The most important role in the system of the Social Responsibility of business entities belongs to the introduction and realization of the Social Responsibility of Marketing.

The widespread introduction and realization of the Social Responsibility of Business can be ensured exceptionally by the appropriate state regulation, which involves: the separation of authority from the business; the presence of qualitatively developed laws and normative acts provided prior to the business orientation on the Social Responsibility of Marketing; the development of effective mechanisms for the implementation of the laws and normative acts on the basis of a strict liability, including criminal liability; the corruption eradication; regular financing from the state budget the laboratory tests of product quality; development of non-governmental organizations which protect consumers' rights by the state financial support (for more details see [2, p. 8]).

Reidenbach R. and Robin P. have substantiated five stages of the introduction of the Social Responsibility of Marketing [3].

The first stage is characterized by an immoral behavior. The dominated aim is to maximize profits at any cost. The company's owners and managers are solitary actors interested in the company's activities.

The second stage is characterized by a law-abiding behavior. The ethical behavior means only the compliance with the law, and a company accepts only the obligations of a legal nature.

The third stage is characterized by a responsive behavior: the business entities are beginning to show the rudiments of ethics, but only in their own interests. Companies understand that it is important to maintain good relations with the society and local communities.

The fourth stage is characterized by an initial ethical behavior. The company demonstrates an understanding that an ethical behavior sometimes requires to go on the reducing profitability. The increased attention to the company's values is mainly reflected in the statement of mission or moral code of business entity.

The fifth stage is characterized by a developed ethical behavior. The company actually demonstrates the commitment of declared values, which serve as a guide to an action at all levels of management.

All things considered, among the factors influencing the introduction of the Social Responsibility of Marketing the most significant are presented by the quality and social orientation of the state legislation on the protection of consumer rights and the environment, certification and product advertising, and the mechanism of the normative act's implementation. The effectiveness of the companies' law-abiding behavior depends fully of the indicated factors. Even so, Reidenbach R. and Robin P. do not analyze the impact of the quality of the state regulation.

Well-known American scientists McConnell C. R. and Brue S. L. and many other foreign and Ukrainian scientists appropriate the following types of economic systems by the form of property and by the method of controlling economic activity : traditional, of pure capitalism, command and mixed economic systems [1].

In this classification, the command economic system is presented by the economic system of the former Soviet Union and other socialist countries. The

economic systems of modern developed capitalist countries are characterized as mixed economic systems. Among the developed capitalist countries better than others the crisis overcome the capitalist countries with the models of mixed economic systems, which have a fairly high level of state regulation and social orientation of the economy, for example Australia, Sweden, Norway, England, Germany, France, Japan, South Korea, and Finland. China develops in times of crisis more dynamically than other countries, an economic system of China is closest to the command economic system, although some market transformations are carried out there by the dominance of state ownership.

The most effective way to implement the market regulation is to combine the state regulation tools with the functioning of international standards, as well as the activities of the non-governmental organizations at the international, national and regional levels.

At the national level the regulation of the Social Responsibility of business entities and their marketing is realized on the considerable groundwork in the introduction of the strategies, directives, conventions, guidelines, regulations, etc. developed by the international organizations. The trends of the Social Responsibility development in the world define actually two groups of associations:

1) the United nations (UN) and other organizations that operate on a global level for the general welfare – for example, The European Union (EU) and the Organisation for Economic Co-operation and Development (OECD),

2) the business structures and public organizations that protect the interests of the corporate sector at the global, continental, regional and national levels.

The first group of associations includes except the UN, EU and OECD the following organizations: The European Council, The European Summit, The European Commission, EU Multi-Stakeholder Forum on CSR, International Labour Organization.

The fundamental document that regulates the Social Responsibility of enterprises is a UN Global Compact, adopted in 2000 on the initiative of the UN Head Office [17]. An important document that governs the behavior of companies

with respect to their employees and society, is The European Convention on Human Rights (ECHR), developed on the basis of the Universal Declaration of Human Rights (UN, 1948), The International Convention on Civil and Political Rights (UN, 1966) and International Convention on Economic, Social and Cultural Rights (UN, 1966). The Aarhus Convention (the Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Aarhus, Denmark, June 1998) regulates the issue of the access to information about the company's activities.

The Directive 2003/4/EC of the European Parliament and of the Council of 28 January 2003 on public access to environmental information provides information openness and transparency of business entities.

The release in 2001 of the EU Green Paper «Promoting a European framework for Corporate Social Responsibility», which defends the principles of a broader business involvement to the social progress and environmental protection over the basic legislative commitments, was the achievement of the European Commission. Also, in 2010 the strategy «Europe 2020» was adopted, the EU program document that aims to provide conditions for smart, sustainable and inclusive growth [4].

The EU Ecolabel is one of the initiatives of the European Commission, which received a strong government support in the EU countries and became an important market stimulus for the development of the Social Responsibility of Marketing. The voluntary ecological labeling helps to identify products and services that cause a reduced environmental impact throughout their life cycle, from the extraction of raw materials for their production, usage and disposal. Products are evaluated by independent experts on the eligibility criteria that have been developed by scientists, NGO's and stakeholders to enable consumers to make reliable environmentally responsible choice [5].

The second group of associations that define the trends of the Social Responsibility of Business in the world is presented by the international non-profit organizations and business associations and includes the following organizations:

- 1) World Business Council for Sustainable Development, WBCSD;

- 2) Coalition environmentally responsible economies, CERES;
- 3) Global nonprofit organization «Business for Social Responsibility»;
- 4) International Business Leaders Forum;
- 5) The European Business Network for Corporate Social Responsibility «CSR Europe».

An effective tool for providing the Social Responsibility of business entities and their marketing is an application of standards for certification and standardization, metrology, conformity assessment and quality management. International organizations and associations have developed a number of social reporting standards that should be used to assess the Social Responsibility of Business: AA 1000 (Accountability 1000, 1999); Global Reporting Initiative (GRI, 1997); ISO 26000 «Guidance on social responsibility»; ISO 22000 «Food Safety Management System»; ISO 14000; ISO 9000; OHSAS 18001:2007 «Occupational Health and Safety Management Systems – Requirements»; OHSAS 18002:2008 «Occupational Health and Safety management systems-Guidelines for the implementation of OHSAS 18001»; The EU Eco-Management and Audit Scheme (EMAS); SA 8000 (Social Accountability 8000).

Compliance with international standards of Social Responsibility of Business is the basis for the high enterprise competitiveness and their image improvement, especially in the context their functioning on the international markets. The enterprise is a market actor that is constantly exposed to the influence of external factors and that exercises its influence on other subjects, for example at the macro level – on the society and state. Therefore the implementation of the Social Responsibility of Business requires a balanced company's policy, which aims to achieve economic objectives and to implement its contribution to society's development and welfare growth.

The analysis of the Ukrainian and foreign companies' activities on the product market is evidence of some positives and negative tendencies. With the passage of time a widely spread become some initiatives connected with the public control of the

product quality and of the companies influence on the consumers' health, society's welfare, and state of the environment.

For the above mentioned reasons, the introduction and realization of the high level of the Social Responsibility of business entities and their marketing can be ensured in any country with a market economy exceptionally by the appropriate state regulation of the economy and the development of non-governmental organizations involved in the protection of consumers' rights. This involves: the separation of authority from the business; the presence of qualitatively developed laws and normative acts provided prior to the business orientation on the Social Responsibility of Marketing; the development of effective mechanisms for the implementation of the laws and normative acts on the basis of a strict liability, including criminal liability; the corruption eradication; regular financing from the state budget the laboratory tests of product quality.

References:

1. Orlov P., Nagaiivska D. Responsabilité sociale des entreprises et leurs activités de marketing à la lumière de la crise financière et économique mondiale // *Ekonomika rozvytku*. – №2(74). – Kh: Simon Kuznets KhNEU, 2015. – P. 5-12.
2. Orlov P. A. Problemy sotsialnoy otvetstvennosti marketinga v promyshlenno razvitykh stranakh s rynochnoy ekonomikoy i v Ukraine v usloviyah zatyazhnogo mirovogo ekonomicheskogo krizisa [Electronic resource] / P. A. Orlov // *Biznes Inform*. – 2013. – No. 1. – P. 6–12. – Access mode : http://www.business-inform.net/annotated-catalogue/?year=2013&abstract=2013_01_0.
3. Reidenbach R.E. and Robin P.A. Conceptual Model of Corporate Moral Development // *Journal of Business Ethics*, April. 1991. – C. 30 – 37.
4. The EU's growth strategy Europe 2020 [Electronic resource]. – Access mode: http://ec.europa.eu/europe2020/index_en.htm
5. EU Ecolabel for food and feed products – feasibility study [Electronic resource]. – Access mode: http://ec.europa.eu/environment/ecolabel/documents/Ecolabel_for_food_final_report.pdf