

GLOBAL SOCIAL RESPONSIBILITY OF BUSINESS AS A PART OF ORGANIZATION OF ITS ECONOMIC SECURITY

Yevgenia Voronyuk¹

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Abstract

In the modern world the social responsibility of business to society becomes more and more relevant. The world trends of socio-economic development demonstrate that businesses need to implement the provisions of social responsibility at the corporate level. This article considers the general architecture of corporate social responsibility strategies (CSRS) of enterprises and their impact on the state of economic security of business. The study focuses on the development of a quality system of economic security of enterprises using CSRS.

Keywords: *economic security; social responsibility; organizational support its economic security; security and sustainability*

JEL Codes: *K22, L26, O11*

1. Introduction

The organization of an effective system of economic security of the enterprise is under the influence of risks and threats. Thus, Ukrainian enterprises in the process of building a personal system of economic security work with the following factors:

- Firstly, a market economy built on competition is a rather dynamic system that is risky.

- Secondly, in Ukraine there are still no stable rules of law to protect the interests of entrepreneurs.

- Thirdly, as the Ukrainian market is still in its infancy, there are many mechanisms that have not yet been fully developed.

The analysis of the scientific environment has shown that in the process of achieving the appropriate level of economic security, businesses must solve problems related to:

- The advantage of using a reactive approach (expectation of the negative impact of the threat and further follow-up measures to eliminate the consequences instead of premature analysis of possible ways to avoid this impact);

¹ Simon Kuznets Kharkiv National Economic University, Department of international economic relations, Lecturer; e-mail: yevheniya.voronyuk@hneu.net; ORCID ID: 0000-0002-1635-7421

- The need to improve the quality of information collection not only about competitors, but also about the state of its own activities, which includes the priority of defining the goals and strategies of the enterprise;

- Insufficient application of the analysis of the costs of the enterprise for economic security;

- Neglect of the existing capabilities of the enterprise and the direction of the entire system of economic security to work with threats.

Sources of negative impact on the economic security of the enterprise can be: conscious or unconscious actions of individuals and business entities (public authorities or competitors); coincidence of objective circumstances (force majeure, innovations, etc.).

It should be noted that there are a number of reasons on which depends the economic security of the enterprise. In particular, from economic crises, emergencies, natural disasters, unforeseen changes in market conditions, social tensions, managerial incompetence, as well as failure of partners, suppliers, customers and clients to fulfill their obligations to pay contracts, supply products or change conditions.

The above demonstrates that the functioning of the enterprise directly depends on the quantitative and qualitative characteristics of economic development of the country. The country's economy is also dependent on the level of economic and social development of economic entities in its territory, as well as the environment. Each country is responsible for the future of the world, using various institutional mechanisms, formulating legislative proposals and controlling the activities of enterprises in terms of their social responsibility to society, the region, humanity.

In this context, the above issue of building an effective and harmonious system of corporate social responsibility is relevant and in need of further research.

2. Results and Discussion

Ukraine's economy is at the stage of development, when the state interferes in socio-economic development even on a larger scale than defined in the first stage, while in the economic development of countries such as the United States, Japan, Britain, Germany, Sweden, France came the third stage, characterized by a decrease in state intervention in the activities of economic entities (Ukrainian Parliament, 2017).

The economic security of business processes of the enterprise is the main element and factor of its security-oriented development.

The organization and provision of economic security should be given special attention at each enterprise. The presence of a large number of threats requires the development and implementation of effective measures to ensure the economic security of business processes of the enterprise (production, financial and investment, technical and technological and innovation, marketing and personnel management).

Today, in legal terms, the economic security of entrepreneurship is organized through two levels of regulations, which are interrelated:

1) International regulations, treaties, agreements, conventions ratified in Ukraine:

- Association Agreement with the European Union - which allows for simplified trade with EU countries, thus forming new principles of economic cooperation and development (Zhykhor, Gorokhovatsky & Oleynikova, 2013);

- Membership in the World Trade Organization - provides Ukrainian companies with safe international trade and protection of their rights and resolving disputes that may arise in the process of working with other states (Parliament of Ukraine, 2008).

- Signed and ratified Free Trade Agreement between Ukraine and the states of the European Free Trade Association, the Agreement on Agriculture between Ukraine and Norway, Iceland and Switzerland (Parliament of Ukraine, 2014) and others.

2) National legislation:

- Constitution of Ukraine (1996).;

- Codes and laws of Ukraine (Code of Labor Laws, 1971), Commercial Code (2003), Tax Code (2011), Law of Ukraine "On Entrepreneurship" (2004), Law of Ukraine "On Accounting and Financial Reporting in Ukraine" (1999), the order of the Cabinet of Ministers of Ukraine On approval of the Strategy for the development of small and medium enterprises in Ukraine (2017) and others.

Thus, the study demonstrates that scientific thought in the field of economic security has served as a foundation for the formation of a legal framework for the harmonious and safe operation and development of enterprises.

On the other hand, the choice of methods to ensure the economic security of business is performed directly at the enterprise. The third element of the general organization of economic security is the ability and ability of enterprises to develop methods of adaptation to the external environment, one of the parts of which is national and international law.

In general, the organizational support of economic security of entrepreneurial activity is aimed at ensuring that each business entity has the opportunity, without creating an additional subsystem (such as a separate economic security service) directly at the enterprise, to develop safely. However, today's global competitive environment creates separate business challenges, and it is impossible to expect that the state will create the safest conditions for doing business with the help of legislation alone.

Creating conditions for the safe development of the enterprise is impossible without ensuring the preservation of the environment and other sustainable development goals.

In recent years, the concept of corporate social responsibility has become widespread in Ukraine, which is a system of public relations with stakeholders, interaction with the state in solving social problems.

The classic definition of corporate social responsibility is given by F. Kotler: "Corporate social responsibility is a free choice of a company in favor of the obligation to increase the welfare of society by introducing appropriate approaches to doing business and allocating corporate resources" (Hohulia & Kudinova, 2008).

Corporate social responsibility (CSR) extends to the following main areas: respect for human rights; compliance with legal requirements; business and corporate ethics; environmental protection; cooperation with stakeholders; compliance with international standards of conduct; transparency and accountability (Parliament of Ukraine, 2020).

According to the developed "Strategy to promote the development of corporate social responsibility in Ukraine until 2020", the need for the development of corporate social responsibility in Ukraine is due to the following factors: low level of corporate culture; legal nihilism and deformation of legal consciousness; low level of public awareness about the role of business; terminological (normative) uncertainty; closedness of Ukrainian companies to the general public; uneven consideration of the interests of stakeholders (Klymenko, 2011).

Existing models of social responsibility have a multilevel structure. Researchers on corporate social responsibility distinguish three levels for determining social responsibility.

The first (basic) level - the business pays taxes in full and legally, so the funds go to the budget, where they are distributed to the same social programs.

The second (corporate) level - socially responsible business must pay an economically reasonable salary. It's no secret that businesses now often save on salaries, seeing this as part of their costs. On the one hand, it is so. But on the other hand - business must understand that a high salary allows a person to spend money on maintaining their health, education, culture.

The third (higher) level - socially responsible business on a voluntary basis is engaged in charity. On the one hand, a potential investor has more confidence if the company can afford to implement large-scale social programs that are not directly related to production, and this is known in society. On the other hand, these programs show that the business is open, it deals not only with internal corporate programs, but also works with society.

Social responsibility not only improves the company's image, but also provides a competitive advantage in the long run, access to new markets (Rodionov, 2009).

Achieving the goals of sustainable development by enterprises is not possible to create and implement a corporate system of social responsibility, which must not only be formally documented, but be implemented at all levels of government and provided by each business process.

To build such a system, the company's management has to:

- 1) understand and analyze business models that stimulate change;
- 2) learn to inform key stakeholders about the competitive advantages of partnerships with socially responsible enterprises;

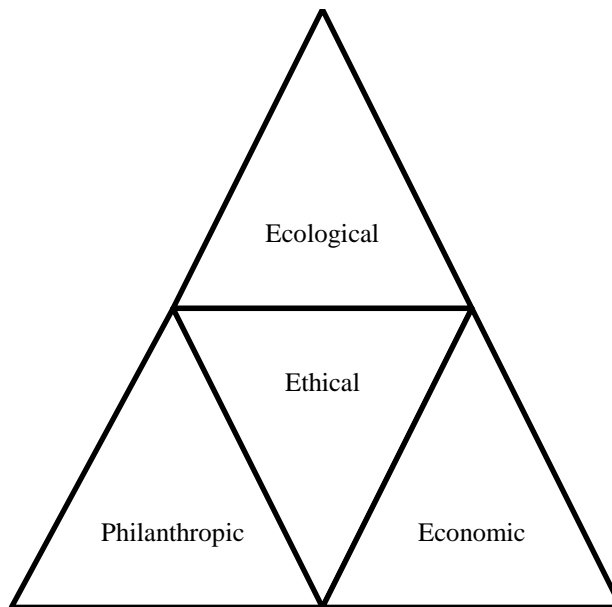
3) to explore the importance of collective efforts in achieving goals and sustainable development and how business can become a catalyst for change at the system level in the face of serious global problems, such as climate change and income inequality;

4) to study the wider ecological, political and social landscape in which the enterprise operates, including the role of government, investors and clients;

5) determine the strategic goals of achieving the goals of sustainable development

In modern conditions of global economic development, the key to the strategic safe operation of business is to achieve the goals of sustainable development through the creation of a system of corporate social responsibility, the key types of which are shown in Fig.1

Figure 1. Types of corporate social responsibility



Source: made by author

Environmental responsibility is the belief that companies must behave as environmentally safe as possible. This is one of the most common forms of corporate social responsibility. Some businesses use the term "environmental management" to refer to such initiatives.

Businesses that seek to take environmental responsibility can do so in several ways:

1) Reduction of pollution, greenhouse gas emissions, use of disposable plastic, water consumption;

2) Increasing dependence on renewable energy sources, stable resources and secondary or partially recycled materials;

3) Leveling the negative impact on the environment; for example, planting trees, funding research and making donations for appropriate activities.

Ethical responsibility is ensuring that the company operates honestly and ethically. Business entities that adhere to ethical responsibility strive to achieve fair treatment of all stakeholders, including management, investors, employees, suppliers and customers.

Businesses may perceive ethical responsibility in different ways. For example, a business may set its own, higher minimum wage if the statutory wage does not constitute the wage required to live in the region. Similarly, businesses may require that products, ingredients, materials or components be supplied in accordance with free trade standards. As a result, many businesses have procedures in place to ensure that they do not buy products created as a result of slavery or child labor.

Philanthropic responsibility is the goal of business to work actively to improve the world and society.

In addition to acting as ethically and environmentally as possible, charitable businesses often dedicate part of their earnings to measures to improve living conditions, the environment, and reduce poverty. While many companies donate to charities and nonprofits that are in line with their mission, others donate to activities that are not directly related to the specifics of their business. Some businesses go so far as to create their own charitable foundation.

Economic responsibility is a practice where the ultimate goal is not just to maximize profits, but to positively impact the environment, people and society.

Most businesses are forced to accept corporate social responsibility because of moral beliefs, and this can bring several benefits:

1) Corporate social responsibility initiatives can, for example, be a powerful marketing tool, helping the company to position itself positively in the eyes of consumers, investors and regulators.

2) Corporate social responsibility initiatives can also improve employee engagement and satisfaction;

3) Such initiatives may even attract potential employees who have strong personal beliefs that are consistent with the beliefs of the company.

4) Corporate social responsibility initiatives, by their nature, force business leaders to study practices related to how they hire and manage employees who supply products or components and provide value to customers.

Fulfillment of the above conditions can lead to innovative and revolutionary decisions that will help the company to act more socially responsible and systematically increase profits. For example, rethinking the production process in

such a way as to consume less energy and produce less waste will allow the business structure to become more environmentally friendly, while reducing energy and material costs.

Social responsibility of domestic enterprises is, first of all, payment of taxes in full, observance of labor and environmental legislation, creation of jobs, and charitable actions. All these measures are aimed at the external environment of the enterprise. Among the initiatives aimed at the internal environment are: increasing productivity, increasing competitiveness, optimizing costs, implementing a strategy for further development, improving the image, increasing turnover and the number of consumers. Most small and medium-sized businesses pay more attention to internal social programs focused on their employees. The participation of small businesses in social activities is usually informal. This phenomenon is due to the lack of management skills for social responsibility of managers of small and medium enterprises. But addressing issues such as meeting consumer needs, tackling corruption, tax compliance, certification and product quality are also relevant today (Pidubna, 2017).

The main principles of forming a long-term strategy of the enterprise in the direction of CSR are:

- 1) High quality standards of goods and services;
- 2) Fulfillment of obligations to employees, suppliers, partners;
- 3) Meeting the needs and interests of all stakeholders.

The main advantages of organizational management based on these principles include: a better understanding of the needs and expectations of society; improving the effectiveness of risk management; improving relations with stakeholders; increasing the reputation of the organization as a whole (Kozachenko, 2013).

In order to succeed in implementing the strategy, you must first study the market and conduct a qualitative analysis of external and internal factors that may to some extent affect the expected result. Since in the modern realities of market relations the analysis of four groups of factors (social, technological, economic, political) is not enough to satisfy the interests of all groups of influence, ecology and legislation are added to modern literature, the analysis of which becomes necessary for socially responsible companies. In the course of the analysis to find out the influence of factors that for a long time were not even taken into account by many companies (Kovalchuk, 2014).

The most common approach for most companies is that the sequence of stages of strategy formation is as follows: definition of mission and goals, analysis of internal opportunities, analysis of the external environment, analysis of alternatives and choice of strategies, implementation and evaluation of the chosen strategy. Each stage of forming the strategy of the enterprise must be consistent with the principles of social responsibility, which are the basis of the basic concept of CSR. The basic concept of CSR of the enterprise is the complex model which is directed on satisfaction of

interests of all participants of business process. According to this approach, we will identify the main stages of forming a strategy of corporate social responsibility for Ukrainian enterprises (Saprykina, Lyashenko & Saensus, 2011).

Defining the mission of CSR (Thompson & Strickland, 2006):

1) The mission of social responsibility is to improve the quality of life of employees, the local community and society.

2) Formation of the system of goals (goal trees) of CSR.

3) The goals of a socially-oriented enterprise include:

3.1) Ensuring the socio-economic development of staff.

3.2) Ensuring the production of quality products.

3.3) Ensuring activities aimed at saving resources.

Analysis of the internal environment. The analysis is conducted to identify strengths and weaknesses and should focus on analyzing the company's social initiatives focused on employees, organizational culture, production and sales. Examples of internal responsibility can be actions focused on compliance with working and leisure conditions, timely payment of wages, benefits (Yermoshenko & Goryacheva, 2010).

Analysis of the external environment. The analysis should focus on external projects that are related to the activities of the enterprise, as well as on the nature of relations with external stakeholders. Assessment of the level of social responsibility. For small and medium-sized businesses, the third (higher) level is not always possible. Small and medium-sized businesses can be more active in implementing issues related to fair payment of taxes (first level) and decent wages (second level of social responsibility) (Martyniuk, 2013).

Choice of strategy. Based on the analysis of the internal and external environment and the assessment of the level of social responsibility of the enterprise, the appropriate strategy and directions of CSR are selected.

Implementation of CSR strategy. The next stage is the development of social programs and projects, action plans aimed at implementing the strategy. The implementation of the strategy should be aimed at establishing a correspondence between the chosen strategy and internal organizational processes in order to focus the activities of the organization on its implementation (Zhykhor, Gorokhovatsky & Oleynikova, 2013).

Evaluation of the implementation of the CSR strategy. There are four criteria for assessing social responsibility: economic (profit), legal (compliance), ethical (ethical behavior), acceptance of responsibility (improving the welfare of society and quality of life) (Krakos & Razgon, 2008).

Thus, we can conclude that the content of the strategy is to ensure a high level of corporate social responsibility, which may include the following main components:

1) Development of a concept of staff training, which should include various forms and methods of training. Staff training in special courses conducted by higher

education institutions (MBA programs); courses and trainings focused on acquiring specific knowledge and skills.

2) Strengthening social protection of workers. In this section of the basic strategy of corporate social responsibility, a social package is formed, components of social infrastructure are improved, and so on. At the expense of profit additional compensation can be established for workers, pensioners, mothers, decrease in prime cost of the goods and services sold within the limits of a social infrastructure of the enterprise.

3) Health of the population (community), development of local and regional infrastructure. This section provides for the establishment of relations and cooperation with local authorities for sports, charity, sponsorship events involving the resources of the enterprise: human, informational, financial, etc.

4) Business ethics. Based on the developed Code of Ethics, the principles of conduct with business partners are established.

5) Environmental friendliness and environmental activities include not only compliance with the law, but also voluntary actions aimed at cleaning the surrounding areas from dirt; actions aimed at saving energy and resources, etc.

6) Meeting the needs of consumers primarily in the production of quality products that meet all international standards, using environmentally friendly raw materials (Lyashenko, 2012).

3. Conclusions and Recommendations

The study showed that the implementation of corporate social responsibility system is one of the elements of the organization of an effective system of business's economic security.

For any business it is very important to form its own strategy of corporate social responsibility and choose effective tools and methods to ensure it. Only in this case, CSRS becomes an effective element of the economic security of business.

The use of corporate social responsibility strategies demonstrates the assessment and understanding by business of its responsibility to society and the world.

Analysis of international trends in corporate social responsibility showed that now the whole business community is trying to reduce its impact on the environment. Such position of business has found support and reflection in the legislation of different countries of the world. For this purpose new laws, institutional mechanisms and forms of strategic partnerships are being introduced all over the world. The attention of state authorities to the issues of social responsibility of business creates additional competitive advantages for companies which adhere to the established framework of corporate social responsibility, which also increases the level of their economic security.

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