CORPORATE SOCIAL RESPONSIBILITY: WHAT DOES IT MEAN?

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Annotation. Existing definitions of corporate social responsibility (CSR) proposed by the early scientists are analyzed and the diversity of approaches to the understanding of CSR is illustrated. All considered definitions are proposed to be divided into three groups. Social responsibility towards different interest groups is described. Steps that could be taken for making social responsibility work are studied.

Key words: social responsibility, business, organization, business ethics.

КОРПОРАТИВНАЯ СОЦИАЛЬНАЯ ОТВЕТСТВЕННОСТЬ: ЧТО ЭТО ЗНАЧИТ?

Струпинская Н. В.

Аннотация. Проанализировано существующие определения корпоративной социальной ответственности (КСО), предложенные ранними учеными, и продемонстрировано разнообразие подходов к пониманию КСО. Предложено разделение рассматриваемых понятий на три группы. Описано виды социальной ответственности по отношению к разным заинтересованным группам лиц. Изучено шаги, которые могут быть предприняты для осуществления социально ответственной деятельности.

Ключевые слова: социальная ответственность, бизнес, организация, этика бизнеса.

КОРПОРАТИВНА СОЦІАЛЬНА ВІДПОВІДАЛЬНІСТЬ: ЩО ЦЕ ОЗНАЧАЄ?

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Анотація. Проаналізовано існуючі визначення корпоративної соціальної відповідальності (КСВ), запропоновані ранніми вченими, та продемонстровано різноманіття підходів до розуміння КСВ. Запропоновано поділ розглянутих понять на три групи. Описано види соціальної відповідальності по відношенню до різних зацікавлених груп осіб. Вивчено кроки, які можуть бути зроблені для здійснення соціально відповідальної діяльності.

Ключові слова: соціальна відповідальність, бізнес, організація, етика бізнесу.

Formulation of the problem. In Ukraine, as in many European countries, there is a growing movement in favor of corporate social responsibility (CSR). Large Ukrainian companies consider corporate reputation, competitive advantage and industry trends to be the major driving forces of CSR. Moreover, sustainable development, like building a successful business, requires taking the long-term view. It also requires the integration of social, environmental and economic considerations to make balanced judgements for that long-term. Furthermore, business must take full account of the societal expectations. Business is not divorced from the society. Business and society are interdependent, so the

role of business in building a better future is recognized and encouraged, that is why right understanding and claiming values of CSR is of the highest priority.

Analysis of the latest research and publications. The problem of CSR and business ethics in general is of topical character among foreign scientists. The diversity of approaches to the understanding of CSR is reflected in the works of Howard Bowen, Kitty Davis, Milton Friedman, Edward Freeman, John Elkington, Archie Carroll, Jeremy Moon, Peter Drucker, Philip Kotler, Y. Blagov, S. Litovchenko, A. Goroshilov, M. Kormakov and many others. At the same time in Ukraine only in recent years attention was paid to this issue and first steps were made toward forming our own vision of CSR taking into account Ukrainian peculiarities of the economic, political, cultural and social development. Among domestic researchers we can mention F. Evdokimov, Y. Saenko, P. Yanickiy, G. Popovych, I. Akimova, O. Osinkina, O. Filipchenko, and others. However, most of the works of Ukrainian scientists represent either empirical research on the understanding of the CSR concept or studying separate parts of CSR. Long-lasting research of foreign scientists are completely ignored or used partially.

Formulation of the purpose. The purpose of this article is to elucidate the CSR definitions proposed by the early scientists in this direction.

The tasks of the article are the following: to analyze and generalize existing definitions of corporate social responsibility; to describe social responsibility towards different interest; to study steps that could be taken for making social responsibility work.

Statement of the basic material. As uncertainty and competition intensify in the business circles and as more and more corporate scandals come into light, business ethics becomes a more challenging and vital issue for the corporate world. Facing the responsibility to be honest and transparent towards shareholders and stakeholders, business people carry the burden to behave ethically right in everyday business situations, and as Cohen (1993) suggested "…ethical problems in the professions attract growing public scrutiny, it is increasingly important to understand the factors leading to unethical and criminal practices in the workplace" [1].

Business ethics mostly concerned with ethical principles and problems regarding the global business environment are getting more and more attention every passing day. Pressures directed to the industry by stakeholders, general public and governmental regulations to improve business ethics applications and perceptions are intensifying. Thus, businesses are aware of the fact that they can only gain short term profits by unethical behaviors and it tends to focusing on workplace ethics increasingly. In this fashion, good business ethics is incrementally expanding in the market. But the sustainability of this focus and expansion is to be ensured for the future.

One of the most frequently asked questions and probably for all those individuals and organizations dealing with Corporate Social Responsibility (CSR) issues is the obviousness to understand what "Corporate Social Responsibility" means. Is it a stalking horse for an anti-corporate agenda? Something which, like original sin, you can never escape? Or what?

Different organizations have framed different definitions – although there is considerable common ground between them. Companies need to answer two aspects of their operations. 1. The quality of their management – both in terms of people and processes. 2. The nature and quantity of their impact on society in the various areas.

The World Business Council for Sustainable Development in its publication "Making Good Business Sense" by Lord Holme and Richard Watts, used the following definition: "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" [2].

The same report gave some evidence of the different perceptions of what this should mean from a number of different societies across the world. Definitions are rather different. For instance, "CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government" – such definition was given by the representatives from Ghana. Meanwhile the Philippines define CSR as "… about business giving back to society" [2].

Traditionally in the United States, CSR has been defined much more in terms of a philanthropic model [2]. Companies make profits, unhindered except by fulfilling their duty to pay taxes. Then they donate a certain share of the profits to charitable causes. It is seen as tainting the act for the company to receive any benefit from the giving.

The European model is much more focused on operating the core business in a socially responsible way, complemented by investment in communities for solid business case reasons [2]. Personally, I believe this model is more sustainable because social responsibility becomes an integral part of the wealth creation process – which if managed properly should enhance the competitiveness of business and maximize the value of wealth creation to society.

When times get hard, there is the incentive to practice CSR more and better – if it is a philanthropic exercise which is peripheral to the main business, it will always be the first thing to go when push comes to shove.

In different countries, there will be different priorities, and values that will shape how business acts. And even the observations above are changing over time.

So, within many definitions of CSR Davis and Bowen's descriptions are among the earliest: "It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" [3, p.6] and "Businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest" [4, p. 70]. A later definition by Davis and Bloomstrom (1966) is "…social responsibility, therefore, refers to a person's obligation to consider the effects of his decisions and actions on the whole social system. Businessmen apply social responsibility when they consider the needs and interests of others who may be affected by business actions. In so doing, they look beyond their firm's narrow economic and technical interests" [5, p. 12]. On

the other hand, Davis (1973) states that social responsibility is "...the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm... to accomplish social benefits along with the traditional economic gains which the firm seeks" [6]. He also suggested that businessman should carry social responsibilities that are proportionate with their power, which is called Davis's "Iron Law of Responsibility". He named two different faces of CSR as managers' duty: to attain economic development for public welfare and to sustain and advance common human values [4]. Additionally, social responsibility is closely related to corporate goals, corporate strategies and organizational structure but the most influential ones are size and profitability, according to Kraft and Hage [7].

Generalizing these definitions, we may relatively divide them into three groups and regard CSR as:

-   an obligation, beyond that required by the law and economics, for a firm to pursue long term goals that are good for society;

-   the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as that of the local community and society at large;

-   how a company manages its business process to produce an overall positive impact on society [8].

Is CSR the same as business ethics? There is clearly an overlap between CSR and business ethics. Both concepts concern values, objectives and decisions based on something more important than the pursuit of profits. Socially responsible firms must act ethically. The difference is that ethics concern individual actions which can be assessed as right or wrong by reference to moral principles. CSR is about the organization's obligations to all stakeholders – and not just shareholders [8].

We can consider social responsibility towards different interest groups: towards owners, investors, employees, suppliers, customers, competitors, government and society. Types of social responsibility and main points are the following:

-   responsibility towards owners: run the business efficiently, proper utilization of capital and other resources, growth and appreciation of capital, regular and fair return on capital invested;

-   responsibility towards investors: ensuring safety of their investment, regular payment of interest, timely repayment of principal amount;

-   responsibility towards employees: timely and regular payment of wages and salaries, proper working conditions and welfare amenities, opportunity for better career prospects, job security as well as social security, better living conditions, training and development;

-   responsibility towards suppliers: giving regular orders for purchase of goods, dealing on fair terms and conditions, availing reasonable credit period, timely payment of dues;

-    responsibility towards customers: products and services must be able to take care of the needs of the customers, they must be qualitative, there must be regularity in supply of goods and services, price of the goods and services should be reasonable and affordable etc;

-    responsibility towards competitors: not to offer exceptionally high sales commission to distributers, agents, not to offer to customers heavy discounts or free products in every sale, not to defame competitors through false or ambiguous advertisements;

-    responsibility towards government: setting up units as per guidelines of government, payment of fees, duties and taxes regularly and honestly, not to indulge in monopolistic and restrictive trade practices, conforming to pollution control norms, not to indulge in corruption through bribing and other unlawful activities;

-    responsibility towards society: to help the weaker and backward sections of the society, to preserve and promote social and cultural values, to generate employment, to protect the environment, to conserve natural resources and wildlife, to promote sports and culture, to provide assistance in the field of developmental research on education, medical science, technology.

So, the author's view is that CSR is about how companies manage the business processes to produce an overall positive impact on society and other interest groups. Nowadays lots of mechanisms exist for producing positive impact on society. But as we know we should always start from the outset. Here are a few steps that could be taken for making social responsibility work [9]:

Set goals. What do you want to achieve? What do you want your company to achieve? Do you want to enter a new market? Introduce a new product? Enhance your business's image?

Decide what cause you want to align yourself with. This may be your toughest decision, considering all the option out there: children, the environment, senior citizens, homeless people, and people with disabilities – the list goes on. You might want to consider a cause that fits in with your products or services. For example, a manufacturer of women's clothing could get involved in funding breast cancer research. Another way to narrow the field is by considering not only causes you feel strongly about, but also those that your customers consider significant.

Choose a nonprofit or other organization to partner with. Get to know the group, and make sure it is sound, upstanding, geographically convenient and willing to cooperate with you in developing a partnership.

Design a program, and propose it to the nonprofit group. Besides laying out what you plan to accomplish, also include indicators that will measure the program's success in tangible terms.

Negotiate an agreement with the organization. Know what they want before you sit down, and try to address their concerns upfront.

Involve employees. Unless you get employees involved from the beginning, they won't be able to communicate the real caring involved in the campaign to customers.

Involve customers. Do not just do something good and tell your customers about it later. Get customers involved, too. A sporting goods store could have customers bring in used equipment for a children's shelter, then give them a 15 percent discount on new purchases. Make it easy for customer to do good; then reward them for doing it [9].

Conclusions. Profit, alone, should not be the driving factor for the operations of businesses. Instead, they should also consider the impact of its activities to future generations. Businesses must show their commitment to their social responsibility by empowering the people in the community where they operate. This can be done through sustainability and livelihood programs, profit-sharing, as well as partnership with the government for the empowerment of these people.

Social responsibility can no longer be ignored by businesses if they want to be in operation over the long run.

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АНОТАЦІЯ

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SUMMARY

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