Corporate Social Responsibility Practices and their Application

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Abstract: In world practice of the concept of CSR business has become synonymous with the concept of an effective and transparent business with sustainability effects. Multinational companies prove a more positive public image, enhance profitability models, and show the benefits and values of the company’s activities and corporate investments in the society (of the country). The aim of this article is to identify the factors affecting on the development of CSR in Germany and proposes the development of policies to encourage the adoption of CSR practices in Ukraine. The research method used in this study will consist of a critical review of the scholarly and refereed literature and will be based on the use of comparative economic analysis models of corporate governance and CSR. The authors suggest that analysis of the basic features of German CSR model could be applied for emerging economies.

Keywords: corporate social responsibility, corporate practices, social partnership programs.


Introduction

The rules of Corporate Governance and Corporate Social Responsibility have many interactions. The rules of the Corporate Governance (CG) have today often the condition of law. In Germany are these rules part of the statute-book of stock-companies with validity for companies listed on the stock exchange. The influence is more and beyond this legal form for companies. Other companies – especially with international activities – do orient them on this regulatory framework for the management and monitoring. Companies listed on the stock exchange give statements about the CG at the annual report.

The rules of Corporate Social Responsibility (CSR) are directives given by the management of a company for the company. CSR is the compliance with laws and regulations, observing (external) standards and (internal) values, action instructions and guidelines and designing management and control structures. All interests of every group of stakeholders are considered and the sustainability and transparency are the main topics of today (Onuorah et al., 2018; Jones & Comfort, 2018; Anazonwu et al., 2018).

Today often companies set a high value of knowing about the CSR-regulations of the business partners. An example how a company want to be seen is the Business to Society Report of SIEMENS. Corporate Social Responsibility (CSR) has emerged strongly as a popular policy in many US and Western European corporations. In strong competitive markets it is necessary to
differentiate themselves, to build a more positive public image, and to enhance profitability. This is part of the Corporate Image of the company. The not countable values will be more and more important when the products are interchangeable, no gab of information exists and the company needs a reasonable profit maximisation; will be an attractive employer etc. The practice of CSR has not been widely adopted by corporations in Ukraine, and has not been utilized the benefits of corporate investments in the society.

The considerable research on the subject of CSR adoption and its impact on corporations and society have been inside the developed economies. The actual relationship between CSR adoption and corporate profitability remains unclear, although the available research has identified some balance between CSR and corporate operating performance.

A critical review of the scholarly and refereed literature suggests that, while there has been some exploration of the impact of CSR policies on corporations in Western European countries on financial outcomes. Less work has been done on the impact of CSR on societies or national economies and none of this has been applied effectively to Ukraine or other emerging economies.

At the same time, we are seeing the growth of large successful multinational corporations headquartered in emerging economies such as India or Eastern Europe. If this trend continues, it will be an opportunity to develop policies that encourage Ukrainian corporations to adopt these practices that provide benefits of themselves, their home societies and economies. The formation and development of democratic, legal, political and social institutions will be directed at minimizing agency costs. CSR in the Ukraine is increasing and promotes socio-economic development and will bring the corporations in a better international competitive situation.

The aim of this article is to study the characteristics affecting on the development of CSR in Germany and proposes the development of policies to encourage the adoption of CSR practices in Ukraine. The research method used in this article will be based on the use of comparative analysis of Ukrainian and German models of CSR.

**Methods**

The research method used in this study will consist of a critical review of the scholarly and refereed literature and will be based on the use of comparative economic analysis models of corporate governance and CSR. In world practice of the concept of CSR business has become synonymous with the concept of an effective and transparent business with sustainability effects. Economic growth, social progress and high living standards as strategic goals of social development are associated with the processes of providing comprehensive CSR, which considered to be an essential component of the concept of sustainable development not only in the business world, but also humanity as a whole. CSR means the ability of an organization or enterprise to evaluate the consequences of their actions for sustainable social development.

The concept of CSR started in 60th XX century as a philanthropic activity directed at solving socially important issues. With the development of society a further redefining of the concept took place for a strategic philanthropy, linking to the solution of social problems with the strategic objectives, and later it transferred to social projects or social investments. Its notion is transformed into strategic goals; which apply in the ideology of social investments and meet the long-term interests of all stakeholders.

The study of the interdependence between Corporate Governance and a model of CSR and reflects the various stakeholders’ views on organization and management, on the company’s portfolio, the possibilities and attractiveness and indicates complementary relationship. The new research shows the results of the different models of Corporate Governance which all needs a created modern legal framework for business, enabling shareholders to play a more active role and resulting in more sustainable companies.
Due to the lack of mechanism of coordination between civil society, government agencies, business groups, and unions the study shows the practical value of CSR and acquires the importance for corporations, most large organizations engaged in manufacture or production, distribution, supply, and consumption of products and services. These organizations have a major financial leverage and material resources that enable them to participate in decision-making process for a sustainable development of society.

Results and Discussion

The company considers investment in CSR as input in its future development. Significant number of scientists examines the relationship between CSR performance and financial performance, for example, Pijourlet (2015) argues that firms with high CSR performance issue equity in larger amounts, and are less dependent on market conditions for their equity issuances. A good CSR performance may increase productivity and financial performance because it implies a good relation with key firm’s stakeholders, can provide a competitive advantage, increasing innovation capacity. CSR performance may also create value by developing intangible assets. The firms take into account financial consequences of implementing CSR policies in their financing decisions. The research to date on the relationship between corporate profitability and social responsible behaviors showed mixed results; what was surprising, though, was that there has been such a paucity of reliable measures that can accurately assess the impact of these actions on a company’s financial performance (Arias & Patterson, 2009).

The systemic-functional approach defines protection of general public interests. Using these approach under the main feature of socially responsible business behavior some authors consider the presence of non-market elements in the reproduction the company behavior related to the formation of partnership relations (Savina, 2016).

The CSR is defined as the tool of corporate governance conflicts minimization. Country risk analysis paints a broad picture to help firms consider strategic responses to the environment. Firms must investigate how each country risk dimension might influence the choice of CR engagement in order to reduce its firm level risk (Rodriguez et al., 2014).

Blindheim (2015) proposes a multilevel understanding of CSR. Four institutional models of CSR analysis combine the explicit-implicit distinction with these two differences: explicit expansionists CSR, implicit contractive CSR, implicit expansionists CSR, and explicit contractive. The suggested approach for CSR aims to help societal actors to more clearly understand and envision the institutional embedded alternatives available to responsible company. A stable company development and its ability to invest in the environmental and other social projects are directed to increase wellbeing of society. The comparison demandingness theory and systemic functional approach proves the common multilevel perception of CSR as social and economic content of social welfare improvement.

Ukrainian companies manage to achieve the basic goals via taking part in various socially oriented projects and programs: to increase investment attractiveness, to be included and involved in global network, and to improve the quality of corporate culture within the company. Corporations independently determine the extent of their contribution to public participation in the projects and programs involving CSR.

Having a strategy based on market operations, corporations are trying to create for themselves the image of a responsible socially businesses. CSR’s perception is what these companies are trying to meet the expectations of the society, providing needs for their products or services, which form a high technical standards, and contributing thus for improving the quality of living standards in the country. The companies provide efforts to extend the range of educational projects in improving the quality of education in Ukraine. The necessity of CSR
principles adoption explains companies' confidence increase, which confirms their commitment in attracting, retaining qualified staff, and positive companies' image formation. This process should be escorted by different campaigns in media. The best example is J. F. Kennedy's speech: Don't ask what the society can do for you – ask yourself what you can do for your society!

In Ukraine an example of successful implementation of CSR standards by companies could be seen via substantial increases of their contribution to the sustainable development of the society, including all economic, social and environmental aspects of the company activities.

Social responsibility of business – is the company responsible for the impact of its activities to all people and organizations with which it faces during the normal course of business, and whole society. In order to implement best practices of CSR in the Ukraine based companies an assessment of business environment should be provided, which is part of the assessment of the current legislative framework and should stand in relationship to public authorities and the society with different social projects etc.

The necessity of integration of environmental, ethical, human rights and consumer issues concerns into business operations and core strategy in close collaboration with stakeholders' interests defines the companies' behavior for CSR promotion in Ukraine. The basic forms of business operations of CSR include investment in environmental protection projects, human capital development, and improving the company's reputation. Company's motives for social projects participation are moral duties, authorities' appeals, copying of positive experience of competitors' actions and activities. The distinctive feature of CSR model formation in Ukraine depicts on companies' initiatives for implementing socially significant projects through involvement of government officials, NGO, consumers, and stakeholders. According to the data of analytical survey in Ukraine the stimuli for CSR activity realization of the majority of Ukrainian companies consider tax exemptions (76.5%), reduction of administrative pressure (38.5%), positive examples of successful implementation of the appropriate programs, and events in the world (35%).

The basic factors influencing the implementation of social projects in Ukraine define the growth of corporate earnings and threats to the ecological security of the society. Legal framework for CSR defines by tax code, civil code and regulatory acts. Companies take part in social investment, social projects, social partnership programs, supports entrepreneurship, education and environmental sustainability in order to build a better future. They apply various forms of stimulating company’s activities in CSR relating to tax incentives and privileges, additional business contacts etc. The assessment of results of the implementation of company’s CSR programs demonstrates the priority for reputation and financial indicators improvement, and obtaining competitive advantages.

The creation of independent expert organization of CSR Development Center in Ukraine allowed unifying the efforts of the 38 leading Ukrainian companies on the organization of charitable activities aimed at improving the welfare of the population. The Center’s mission is to provide consultancies for HR managers, training programs, including teaching corporate volunteering, studying the social return on investment etc.

Form encouraging companies investing in social development programs is the reward of CSR which is given to companies that provide assistance in the amount of $10,000 for the year in Ukraine. “Auchan”, “International Airlines of Ukraine”, “PrivatBank”, “uria-Farm”, “DTEK”, “Interhim”, “WOG” Companies, one of the few Ukrainian agricultural holdings “AgroGeneration” etc. are honored to receive an award sign of social responsibility, assigned proactive socially responsible companies that recognize their interdependence with society, implementing social projects and allocate funds for charity.

In 2015 SE NNEGС “Energoatom” received the first place among the largest public Ukrainian companies according to the transparency index. Thus, in 2015 SE NNEGС “Energoatom” became the first public enterprise which approved the anticorruption program in accordance with the
requirements of the new anti-corruption legislation. The establishment of a corruption non-
acceptance system creates the new level of perception and consciousness in the company.

The obstacles preventing an effective CSR in Ukraine are a not effective coordination
mechanism for interactions with local authorities, restricts defining the social needs of personnel
development and environmental protection programs. Shortage of available regulatory acts and
positive experience for best practices for CSR implementation, insufficient number of specialists
in CSR, the lack of comprehensive training programs in this area limits the wider use by a number
of Ukrainian companies.

The concept of the public advantages is not completely understood by the large part of the
population which explains not significant role of the state in defining corporate strategy for social
well-being. The assessment of company's activities shows that the management is often fixed and
oriented on improving the company's image, a short success, an increase of individual groups of
citizens’ wellbeing, and is not enough interested in the common goals of the society. The
 corporate institutions development can be used to address critical economic, social and
environmental issues, and in favor of achieving national interests for improvement of wellbeing
of society in Ukraine.

Corporate Social Responsibility Practices Application

Traditions of social justice, social and environmental legislation, norms and rules have in Germany
a long history and tradition since the XIX century. Psychology of entrepreneurial thinking
contributing to social needs satisfaction and wellbeing improvement was formed over a long
period of historical development. Companies have made CSR as a central part of their business
philosophy. This not only in large companies, during the last years more and more midsized and
small companies realized the advantages out of this philosophy. A distinctive feature of the
German model of CSR is the responsibility of the company in total, not only on the economic
base. This responsibility is based on statutory framework, compliance with the law, and the
attention and fulfillment of business rules. The concept of Corporate Citizenship was developed
in Germany long time ago and includes philanthropy, systematic help in social problems,
maintaining profitability for stakeholders, creating and maintaining a balance of shareholders and
community interests, corporate foundations sustainable development, business ethics etc.

German multinationals proves a more positive public image, enhances profitability model,
and shows the benefits of corporate investments in the society. This is part of the transparency of
the companies. Under the CSR refers to a conscious and voluntary commitment to achieve a
harmonious correspondence between social and environmental goals and economic activities of
the enterprise.

The state, corporations, and NGO create incentives for development of socially valuable
initiatives. The state plays a significant role in German model of CSR, which defines by norms,
standards, and laws within the framework of existing labor, environmental and tax legislation. The
state determines the regulation of the companies’ activities, costs and benefits analysis for the
introduction of their forms of social responsible behavior. Western management culture reflects
pragmatism and individualism in achieving their business objectives.

Market actors require compliance with these principles of CSR: trust, social justice,
openness, and transparency. Absolutely all organizations must think about the prosperity of
society and direct their efforts for solving human problems. Company pursues a policy of constant
and deliberate social activity. CSR strategy is consistent; all projects are subject to the general
purpose and mainstream business idea. The National Forum of CSR as representative body
operating in Germany since 2009. The German Federal Government adopted the Action Plan
CSR” in 2010 which provides the definition of a framework and focuses on the many issues in helping to strengthen the activities of local groups”.

The positive experience of Corporate Responsibility strategies in Germany could be seen on the examples of entrepreneurship, education and environment, sustainability activities of Robert Bosch Group, the Volkswagen Group, SAP, the METRO GROUP etc. The Robert Bosch Group invests in jobs, operates a consistent continuing education program on different levels for the employees, and prepares additional specialists and executive staff for the challenges of the future. More than 60 production sites throughout the world belong to the Volkswagen Group. At all of these sites, the company takes care of its surroundings in coordination with those who are locally involved and orient its actions to the needs of the region.

As market leader in enterprise application software, SAP helps companies of all sizes and industries to run better. SAP empowers people and organizations to work together more efficiently and use business insight more effectively to stay ahead of the competition. SAP enables more than 170,000 customers (includes customers from the acquisition of Sybase) to operate profitably, adapt continuously, and grow sustainably. For the third year in a row, SAP earned a perfect score for its support of LGBT employees. The award comes from the Human Rights Campaign – the largest organization dedicated to LGBT equality in the United States.

Since 2010, METRO GROUP has subscribed to the principles of the UN Global Compact, a United Nations-led global initiative that aims to encourage businesses to adopt universal sustainability principles. CSR responsibility initiatives include procurement production processing, transport warehousing stores, customer, waste disposal, social engagement. Evaluation in relevant sustainability indices and rankings shows that in the financial year 2013/14, METRO GROUP achieved a top position in the Dow Jones Sustainability World and Europe Indices and retained a strong position in the Climate Disclosure Leadership Index. The group was included in the FTSE4Good Global Index and the FTSE4Good Europe Index for the first time.

The CSR application of effective rules of virtue, which form a new corporate culture in the company will be directed to strengthen the national economy, to stimulate searches of ways for solution social problems, and to decrease inequality in society.

Comparison Ukrainian with German model of CSR

The critical analysis of literature sources and analytical reports provide the basis for highlighting differences of CSR model in Germany and in Ukraine, and to define adjustment measures (See Table 1). Based on the German companies’ experience in CSR the following adjustment measures are proposed for improving and making more effective the Ukrainian model. Global aim of CSR should be focused on social values of society. The tasks of such model are formation of a civil society with a fixed formal and informal rules and regulations, orientation on training standards of corporate ethics, and investment in human capital.

Priorities of motivation social activity should be changed towards the concept of public goods, and social projects implementation. The formation of common social values in society could create the solid base for entrepreneurial culture and economic behavior. Audit of cultural and social environment of the society will be directed to the social projects implementation.

An adjustment of national legislation with norms and rules of International standards ISO 26000, UN Global Compact Multilateral Forum on CSR and EU and OECD principles of CSR etc., and an expansion of the scope of the implementation of socially-oriented projects in Ukraine will benefit society, provide healthy environment, resource conservation, and enhancing lives.

In order to stimulate activities in sphere of CSR the state should expand the use of various forms for social acknowledgement of company’s achievements in CSR activities: public recognition, different forms of social initiatives. Reorientation on the business company’s criteria, including brand value, investment attractiveness, competitive advantages will results in the
implementation of CSR programs in Ukrainian companies. The adoption at the state level regulations will stimulate corporate activities towards the development of CSR. Changing priorities and expansion the scope of corporate activities from local to national level will be directed to utilize the results of CSR activities at the national level in Ukraine.

**Table 1** Comparative Analysis of Corporate Social Responsibility Models in Germany and Ukraine

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>CSR Model in Germany</th>
<th>CSR Model in Ukraine</th>
<th>Adjustment Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Global Aim</td>
<td>Improvement of the well-being of society and the environment</td>
<td>Improvement of the well-being of society and the environment</td>
<td>Focusing on social values of society</td>
</tr>
<tr>
<td>2.</td>
<td>Tasks</td>
<td>- Community development</td>
<td>- Investment attraction</td>
<td>- Formation of a civil society with a fixed and formal and informal rules and regulations</td>
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<tr>
<td></td>
<td></td>
<td>- Improving the environmental conditions</td>
<td>- Inclusion of companies in the global network</td>
<td>- Orientation on training standards of corporate ethics.</td>
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<td></td>
<td></td>
<td>- Staff development</td>
<td>- Improvement of the quality of corporate governance</td>
<td>- Investment in human capital</td>
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<tr>
<td></td>
<td></td>
<td>- Technological improvement of the economy</td>
<td>- Moral duties</td>
<td>- Priorities changing towards social projects and public goods.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>- Authorities’ appeals</td>
<td>- Formation of common moral values in society</td>
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<tr>
<td>3.</td>
<td>Motivation</td>
<td>- Moral values</td>
<td>- Morality duties</td>
<td></td>
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<td></td>
<td></td>
<td>- The creation of public goods</td>
<td>- Authorities’ appeals</td>
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<td></td>
<td></td>
<td>- The preservation and environmental care</td>
<td>- Positive experience copying of competitors’ actions and activities</td>
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<td></td>
<td></td>
<td>- Economic business tradition</td>
<td></td>
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<td>4.</td>
<td>Factors influencing the</td>
<td>- Social</td>
<td>- The growth of corporate earnings</td>
<td>Audit of cultural and social environment of the society</td>
</tr>
<tr>
<td></td>
<td>implementation of social</td>
<td>- Cultural</td>
<td>- Threats to the ecological security of the society</td>
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<td></td>
<td>projects</td>
<td>- Economical</td>
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<td></td>
<td></td>
<td>- Ecological</td>
<td></td>
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<tr>
<td>5.</td>
<td>Legal and economic</td>
<td>- UN Global Compact Multilateral Forum on CSR in the EU and OECD</td>
<td>- Tax code</td>
<td>Adjustment of national legislation with norms and rules of international legislation of CSR</td>
</tr>
<tr>
<td></td>
<td>mechanism of projects</td>
<td>- German Sustainability Code</td>
<td>- Civil code</td>
<td></td>
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<tr>
<td></td>
<td>implementation</td>
<td>- Code of corporate ethics</td>
<td>- State institutions at national, regional and local levels</td>
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<tr>
<td>6.</td>
<td>Social and economic</td>
<td>Improving the welfare of society as a whole</td>
<td>- Improving the company’s image</td>
<td>Changing priorities and expansion the scope of corporate activities from local to national level</td>
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<td></td>
<td>results</td>
<td></td>
<td>- Increase of individual groups of citizens wellbeing</td>
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</table>

Source: Saprykina (2015)

Comparing models of CSR shows that social partnership programs in Ukraine are advisory in nature, and do not provide any administrative responsibility of company for what they declare in it. A characteristic feature of Ukrainian reality is the partial or incomplete implementation of the proclaimed social obligations. Especially it concerns issues of social partnership programs and projects.

Some companies replace the real concept of CSR for its direct obligations, including timely payment of taxes, carrying out activities related to compliance with environmental regulations and the relevant standards of production (Odoemelam & Okafor, 2018). Most companies are
faced with the problem of recruitment that means the staff deficit having entrepreneurial skills, competencies, and socially-oriented behavior.

**Conclusions**

Ukraine today has set a goal to form a qualitatively new institutional environment that will promote entrepreneurial activity and economic growth based on structural reforms and application of innovations. The precondition of the German model of CSR application in Ukraine is: a) The civil society formation for solution of social and environmental problems. It includes formal and informal rules definition, education, investments in human capital, and imports of absent western types of institutions; b) Taking into account national cultural traditions CSR model shows the necessity of personal staff education, formation of norms for contract obligations fulfilment, discipline, trust, transparency and etc.; c) The development of a corporate culture is based on the use of the moral principles of companies' ethic code. To provide the specified program represents a set of effective rules of virtue, which would be directed on formation a new corporate culture in the companies.

**References**


