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**Corporate Social Responsibility  
in Ukraine.  
Understanding the concept**

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## Abstract

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This paper is devoted to the issue of corporate social responsibility (CSR) and implications of this concept on the process of development in Ukraine. Policy of social responsibility can be developed and implemented as a result of social dialogue where all stakeholders are taken into account and given the significant impact.

The increasing focus on both the private and public sectors to be proactive in the area of CSR creates various challenges coming from consumers, shareholders, non-governmental organizations, international organizations, and other stakeholders. This is what is analyzed throughout this particular study, where main interest is drawn upon the national strategy paper on CSR implementation and question whether and how the concept is understood by representatives of various social sectors in Ukrainian society.

Qualitative research was performed through reviewing the existing literature on the topic of socially responsible business practices and data gained through performing a set of interviews with different social sectors, represented by state authorities, media owners, business managers and non-governmental organizations. This research paper concludes that due to the absence of established concept of corporate social responsibility disputes appear among all social sectors in Ukraine.

Keywords: Corporate Social Responsibility, Development, post- soviet, Ukraine

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## **1. Introduction**

### **1.1. Subject of the Study**

Companies that embrace corporate responsibility recognize that their social and environmental impacts have to be managed in just the same way as their economic or commercial performance. But getting started, putting corporate responsibility principles into practice can be difficult and many companies struggle to justify the management of social and environmental affairs in terms of tangible business benefit. Ideally, “CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure their adherence to law, ethical standards, and international norms” (Brila Energy 2013). Business would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, business would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality.

Informal shady economic relations are great obstacles for socially responsible business formation in Ukraine. State budget can not provide sufficient funds; workers suffer from labour violations. Among the most important problems in terms of social responsibility of business one can note the lack of awareness of existing initiatives, thus denying the successful international practices on making business an important and sound partner in development process.

The category “social responsibility of business” in Ukraine has been formally used in 16th of December 2005 when Memorandum on Social Responsibility of Business in Ukraine was signed in Kiev to determine principles and tasks of socially responsible business. The document has signatures of representatives from various business structures, international organizations and social organizations (Concept Draft paper on National CSR Strategy in Ukraine, 2011).

The National Strategy on CSR was developed by a state in order to promote implementing socially responsible practices for the companies. However, is it not enough promoted by the government and according to the study by United Nations Representative Office (2005) one third of Ukrainian companies indicated that the strongest incentive to promote CSR in their company for them will be the recommendation of the authorities. This portrays the cultural feature of Ukrainian mentality that biases the successful transformation of current situation. If mentioning international standards, the CSR has become part of the EU strategy "Europe 2020". Therefore, the approval of the National Strategy on Corporate Social Responsibility for Ukraine today is the priority. As a result, business benefits directly from the self promotion and developing strong positive reputation, the authorities - from the mutually beneficial partnership with the business, society gets a more comfortable life (CSR Review Media Portal 2012).

## **1.2. Purpose of the Study**

The thesis based on a literature review of existing research and qualitative data gained from the interviews about current state of development of CSR has its aims to:

1. provide an extensive definition and explain the concept of CSR policies, its significance and ways of implementation
2. give a summary of development of CSR as a concept in Ukraine
3. identify national specificities of the social role of business and its influence on development of concept of CSR

## **1.3. Research question**

Moving on to another important part of this research, which will set up the whole research process, is the research question. In this particular topic, the main interest is focused on the issue of socially responsible business practices in a country of Ukraine. This theme is taken on special significance because nowadays companies recognize that their social and environmental impacts have to be managed in just the same way as their economic or commercial performance.

However, the issue here is also whether the concept of social responsibility is understood correctly, or looking at it more generally, is there one acceptable set of criteria when evaluating the CSR performance of the business. Business initiatives, thus private sector, can be seen as a main development promoting tool in weakly institutionalized state. Both formal and informal organizations have their influences on social sector, no matter how accountable to the government they are. This leads us to the question at hand:

**- How the concept of CSR is understood by various sectors of Ukrainian society?**

## **1.4. Disposition**

The thesis is structured in compliance with the standards and norms presented by the Lund University. The proposed above research question will guide the structure of this study. The first chapter is the introduction to the area and subject of interest for this particular research, briefly presenting the current situation in Ukraine and the relevance of this issue to the development field.

In the second chapter the methods used throughout this study are presented. Following that is the chapter with the theoretical base for this study is presented. Here the definition and concept of corporate social responsibility are discussed in abundance. Stakeholder's theory is followed by more modern theory of institutional monocropping, where blueprints for development are discussed and criticized.

The fourth chapter deals with the current situation of socially responsible business in Ukraine. Historical development is seen as a setting stone for present of CSR practices in Ukrainian companies. Along with the presenting and analyzing the national strategy paper for social responsibility, stages of transformation of social infrastructures.

Chapter 5 analyzes the data collected throughout the research period, with presenting the findings of various expectations and diverse opinions on the issue of CSR, its concept, criteria and definition.

Finally chapter 6 summarizes the study and the outcomes from the analysis and conclusions drawn from it.

### **1.5. Relevance to Development Field**

Here comes a time to mention the role of business as a development tool. Many authors mention this trend in the recent works, however also mentioning that CSR is a business tool, so in order to be useful for development it has to change some of its main characteristics. According to Knorringa and Helmsig (2008, p. 1055) “private section of business is an important actor in development, as it possesses variety of motivations and behaviors for social actors”. They also mention that multinational cooperations “should shift their focus from passive charity donations to more active engagement in the social help”. However, “private sector development discourses must be critically engaged with, learned and criticized” (Knorringa and Helmsig 2008).

It is worth mentioning here also the ignorance of some of the help provided by the business initiatives when it comes to the fighting poverty. Classified by Birdsall (2004) into so-called Seven Deadly Sins of the international help, some are totally unaware of the harm they are doing while pretending to help the needed ones. Not going deep into the analysis of each out of those seven shortcomings of the developmental help, it is essential to mention impatience and greed, as those in my view are the most harmful for the empowerment practice. Private help provided by business actors is hoped to solve the problems of poverty, malnutrition and death rates in first months of the program established. However, there is a big disappointment waiting for the stakeholders, as the years of wrong governments led by wrong institutions can not be crossed out after only few weeks of the help from the outsiders. Development is a process, which includes all parts of society involved, changes from above and changes in the minds of population. Thus, the stranger’s approach and foreign aid given, is not the answer to issues per se.

As a result, with no visible improvements help is drawn away from the poor ones, right before the time when actual progress can be expected. Another “sin” is the greed, presented in numerous developmental program implied by the business stakeholders in the past. In their view raising funds, establishing initiatives and developmental programs will help them to present themselves as valuable and trustworthy organizations that care about the developing regions of the

world. This in turn will lead them to the top positions and scores on the universal rate and maximize their profit even more (Birdsall 2004).

## **2. Research methods**

The research will be carried out by conducting a research overview and using the data gathered from the set of interviews conducted in the city of Lviv, Ukraine. The material has been gathered throughout the whole process of writing up the thesis work and main sources are academic journals, books, and useful and reliable web –resources. Most of the articles were accessed through the Lund University database, however with some exceptions where they were directly accessed after web search and some are translated from Ukrainian into English.

### **2.1. Methods applied**

As presented in the beginning of this paper the aim is to give a substantial definition of CSR in general, its role in promoting developmental processes in weakly institutionalized countries and set up possible outcomes for those countries. As a vivid example and thus a case study country of Ukraine was chosen. Partly due to the fact of my citizenship in this country, partly to the interesting history of development and current state of matters for both private and public actors. Looking closely into one county case will provide a deep understanding of matters and answer the questions presented above.

The research was conducted in city of Lviv, in the western Ukraine, throughout the period of 4 months. While being in the native city it made more possible for the research to be conducted thoroughly and with required time for analyzing the findings. The research conducted using qualitative method based on the findings from interviews and secondary data. While data collected from the interviews was set as the main aspect of the research, secondary data was used for giving a proper image of Ukrainian business situation.

Data collecting method such as interviews were chosen on their ability to show the real situation and current state of matter. Conducting a series of 12 semi-structured in-depth interviews with groups of people involved in various fields of affairs, but all equally relevant to the issue of socially responsible practices of Ukrainian business. The process of choosing the people for conducting interviews was based on their relevance to the field of research in this paper. The background research on the 6 of suitable candidates showed their relevance to the subject of CSR, all of them were working closely with social responsibility on the day-to-day basis, either researching it, writing articles or teaching it. However, the rest 6 of the interviewees were chosen on the basis of the “snowball” effect, where I was suggested particular sources of interest by previous

representatives. After running another background research on them, it made clear that I reached the 12 interviewees I was planning to get in the first place.

The interviews were all conducted in Ukrainian and Russian languages, each lasting for 45min to one hour, were transcribed by the researcher and designed to cover the mentioned above themes of interest for this specific research. The sample included representatives from the executive power (City Council), the media, academia, business representatives and from civil society institutions, including NGOs. The representatives of each sector was chosen for their relevance to the issue of study, City Council representatives in social matters, owners of business media-portal covering the issues of CSR on regular basis, the critical business economist from the National University of Lviv, press-secretary and active members from the non-governmental organizations dealing with the social structures and labor units in the region.

Following the research ethics the interviewees remained anonymous and were presented with the aim of the research and information sheet about the University. In the analysis part, quotes from the interviews will be used to shape the holistic approach to the questions asked, in some the tags in the end of the quote would be used to represent the interviewee from the specific sector.

Taking a closer look at such research method as interviews in this or any research it is worth explaining why this method was chosen in a first place. According to Irving Seidman (2006) “a researcher can approach the experience of people through examining personal and institutional documents, observation, exploring history, questionnaires and surveys and through review of existing literature. If the goal, however, is to understand a meaning interviewing provides a necessary avenue of inquiry” (Seidman 2006, p. 10). Thus, despite the fact that interviewing method requires a lot of time, when picking a sample, conducting interviews and transcribing the data gathered, for this particular research question the interviews were chosen for the in-depth information gained from them.

## **2.2. Research quality and limitations**

It is true that while doing a qualitative research, based on the data gathered throughout interviews, possible limitations could be present. Those may include leading questions asked by the researcher, wrong sample, language barriers and generalization matter. In addition, Siedman (2006) argues that “research is often done by people in relative positions of power in the guise of reform. All too often the only interests served are those of researcher’s personal advancement” (2006, p. 12).

However, in this particular case the researcher aware of possible obstacles for gaining true and representative data minimized the latter ones by examining the situation first and applying comprehensive methods. The appendix shows the example of questions asked on the semi-structures interview, without any leading and off-topic statements. Sample was chosen after a



Careful examination of possible social groups relevant to the issue of CSR, their interest in the topic and willingness to participate in the study. The language on all interviews was chosen by the interviewees, which lessened possible misunderstandings.

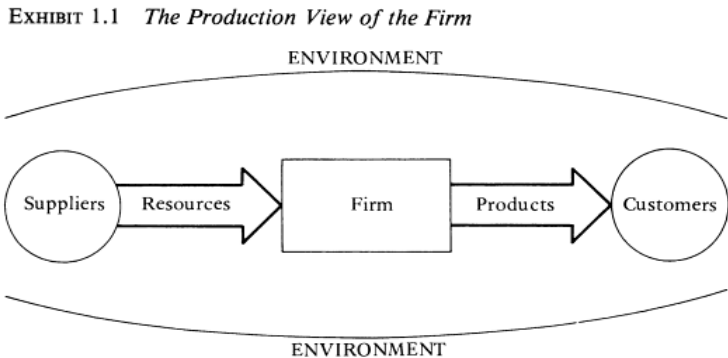
### **3. Theoretical framework**

Business organizations are taking on larger, more complicated roles in the society. As they enter new arenas such as health care and education, where tough choices and trade-offs among multiple goods are commonplace, friction between economic objectives and other worthy aims is likely to increase. According to Phillips (2003, p.2) if “ethics is to become an integral part of business conduct, it must be knit into organizational life. The debate present nowadays is evolving mainly around the concept of moral obligations between the organizations and stakeholders, what are their aims before the society and ethical terms” (Phillips 2003).

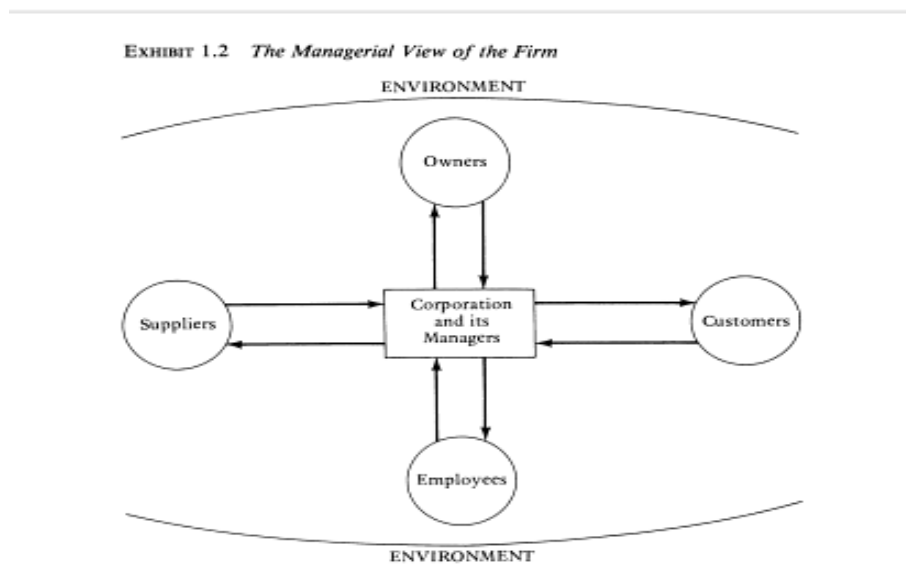
#### **3.1 Stakeholders’ Theory**

While trying to answer the research questions in this paper it is notably important to use the right theoretical background. In order to do so a large number of literatures was examined and reviewed. However the concept of CSR is arguably a modern term, still evolving and establishing its own definitions and theories. Thus, the analysis in this paper will be based on theory presented by Edward Freeman in his book *Strategic Management: A Stakeholder Approach* – stakeholder theory (1984). This particular theory reflects upon the issues of business ethics, important actors and “principle of who and what really counts” (Freeman 1984). He also argues that in the past organizations were “quite simple structures and making business happen required not more than just buying raw material from suppliers then transforming it into the products and finally selling it to the customers” (Freeman 1984, p. 4-5).

The figure below shows this process as a short-timed process, done mostly by families and kept on low level, according to Freeman (1984, p. 5) the “owner-manager-employee need only to worry about satisfying suppliers and customers in order to make business successful”.



However, with the technological progress and changing structures, the more and more advanced means of productions appeared making the business more economically oriented. Along with new sources of power emerging, vast amount of productions were concentrated in urban areas with consistent flow of labor from rural areas. This changed the previous concept of family-led business relationship and thus required more capital and more resources invested into the business. As a result the new “managerial approach” of the firm emerged (Freeman 1984). “Ownership became more dispersed, as banks, stockholders and other institutions financed the emergence of the modern corporation. In order to keep the business at the level of economical success, managers had to simultaneously satisfy the owners, the employees and their unions, suppliers and customers” (Freeman, p. 6-7).



This figure above taken from the Freeman’s book shows the new set of important actors in business and the relationship links between them. It also indicates that the set of ideas for managerial work should have been developed, the conceptual shift. This “conceptual shift” was as essential as ever, while new forms of business structures emerged new ways of governing those structures was at great need. Despite the fact that the last figure is not a representative example of modern state of matters in corporations, it still shown as an example of the change happened in business world.

According to Freeman (1984) “top managers of corporations seem to miss out the important issue of internal and external actors influencing the corporation in a turbulent time. This specific issue is quite relevant nowadays with financial crisis strong grip still present on most of the world economies and globalization affecting states in a domino effect”. Especially weak economies of Eastern Europe, Ukraine being one of them are influenced by the lack of strong institutions and suffer both from internal and external factors of changes (Freeman, p. 8-9). According to Freeman

(1984) “neither of these changes are new and have developed in one time, however it is necessary to develop a theory, or picture, of the world which allows to manage these changes effectively”.

In a work by Mitchell, Agle and Wood (1997, p. 855) they try to identify who and what are the stakeholders and what are their roles, “persons, groups, neighborhoods, organizations, institutions, societies, and even the natural environment are generally thought to qualify as actual or potential stakeholders”. Jones (1980) defined corporate social responsibility as "the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract, indicating that a stake may go beyond mere ownership" (1980: 59-60). As a bridging concept, Mitchell, Agle and Wood, argue that the “broad concept of stakeholder management must be better defined in order to serve the narrower interests of legitimate stakeholders. Otherwise, influencing groups with power over the firm can disrupt operations so severely that legitimate claims cannot be met and the firm may not survive” (1997, p. 863).

Another significant contribution to the issue of stakeholder theory developed by Freeman (1984) is a piece of work by Donaldson and Preston (1995) where they start off by mentioning that “the concepts stakeholder, stakeholder model, stakeholder management, and stakeholder theory are explained and used by various authors in very different ways and supported (or critiqued) with diverse and often contradictory evidence and arguments” (1995, p. 66). Stakeholder theory “views the corporation as an organizational entity through which numerous and diverse participants accomplish multiple, and not always entirely congruent, purposes. The stakeholder theory is general and comprehensive, it goes well beyond the descriptive observation that "organizations have stakeholders" (1995, p. 70). This statement only proves that the various groups of actors and parties involved in the life of corporation all have an important impact both on the company and on each other.

To mention another set of ideas presented by Garriga and Melep (2004, p.65) “current CSR theories are focused on four main aspects: meeting objectives that produce long-term profits, using business power in a responsible way, integrating social demands and contributing to a good society by doing what is ethically correct”. This classification of most relevant theories on CSR and related concepts into four groups, which they have called “instrumental, political, integrative and value theories” (Garriga and Melep 2004, p.66). These set of theories is mentioned here in order to give a holistic view on the concept of CSR, its relevance to the various parts of business performance, including economical profit-maximizing orientation along with effective and fruitful cooperation with public societal organizations.

### **3.2 Institutional monocropping**

Another quite relevant and useful theory that will help us answer the research question presented in the introduction part is the concept of institutional monocropping, presented by Peter

Evans. Being a sociologist he looked at the issue of poorer countries implementing the so-called blueprints for development from rich and developed countries. The article of Peter Evans “Beyond Institutional Monocropping. Institutions, Capabilities and Deliberative Development” (2002) caught my attention while reading it as it explicitly shows everything that is happening now with the foreign concept of CSR in Ukraine. Throughout his work Peter Evans was exploring the idea of taking one concept and implying it to the different context, either different country, company or social problem. The idea behind that was that even if some set of institutional ideas and theories managed to work on a particular issue, not necessarily the very same set would work on the different issue, leading to more structural damage than any gains. The so-called “copy-paste” method may not work when it comes to the establishing the concept of CSR in Ukraine, as well as it may hinder the process of constructing its own institutional basis for it. “Any country could become rich if it could increase its domestic savings, which would then become investments, producing an increase in future incomes proportional to the increased share of investment. If domestic savings rates couldn’t be increased, external financing would fill the gap” (Evans 2002, p. 3).

In a case of socially responsible business strategies, which were firstly developed and promoted in the industrial countries in the north, significant change in the whole business-development relationship was to be seen. However, when the successful practices were implemented by the less-developed states, the system needed a great deal of changes. According to Evans (2004, p. 33) “international organizations, local policy makers and private consultants combine to enforce the presumption that the most advanced countries have already discovered the one best institutional blueprint for development and that its applicability transcends national cultures and circumstances”.

However, no matter how advanced the implemented policies are and how well they performed in other countries, the socio-economic and cultural background should be considered in a first place when developing a new strategy for the state. In Ukrainian case, where country has been under communistic regime for more than 50 years, the institutions are weakly established with no significant policy changes from the government. “Institutional arrangements shape the incentives to develop ideas and become central in determining the rate of growth” (Evans 2002, p.6). Thus, CSR practices developed in the northern and more developed states are seen as a cure for less developed countries in order to reach the level of their development. However, as the next part of this work will argue, this is not the only one tool for development in Ukraine.

### **3.3. Concepts of CSR**

There is a variety of concepts and approaches to CSR, which occurred due to various views of societies on new role of business and also to the fact that society's expectations for this concept increased. Moreover, it is difficult to define CSR criteria (excluding legal duties) because they are

conditional: what is responsible behavior for one actor might not be the case for a different one. “CSR is not an absolute standard, and can be changed with each generation, each stage of development or progress of society, cultural characteristics, the specific historical development of the region, geography and country” (Sayenko 2002, p. 10).

Concept of CSR also vary depending on national socio-economic priorities - which themselves are influenced by historical and cultural factors - and from different types of social actors that require action on these priorities. Some of these concepts are shown below. They are mentioned and described in the Concept Paper, issued in 2005, with the initiative of United Nations in Kiev, Ukraine.

Making clear why exactly those particular concept of social responsibility were chosen I would like to express my idea of corporal social responsibility as a very complex and multi-tasking concept, with many integral parts to be taken into consideration when trying to explain the general picture. Thus, all of the concepts presented in the next couple of paragraphs are essential when presenting the holistic view on the concept of CSR, which include all parts of company’s performance, both economic and social.

The concept of **core business strategy** assumes that business can not succeed if society in which it is to function is insufficient and poorly developed. Corporate responsibility is an actor and a measure to carry out and maintain this symbiotic relationship. Of course, society can also interact in this relationship, providing services such as law enforcement, investing in many public goods used by business and funding this activity through disciplined public finance system. If actions of both business sectors and society are successfully maintained, they result to an atmosphere of mutual trust and accountability, which promotes business and increase economic, social and environmental well-being (Sayenko 2002, p. 20).

**The concept of duty.** According to Carroll (2000) “four-part definition held that corporations had four responsibilities to fulfill to society. This definition sought to embrace businesses’ legitimate economic or profit-making function with responsibilities that extend beyond the basic economic role of the firm. It sought to reconcile the idea that business could focus either on profits or social concerns, but not both. It sought to argue that business can not only be profitable and ethical, but that they should fulfill these obligations simultaneously” (2000, p. 34-35).

Economical: making sufficient profit in its equity capital for satisfaction of shareholders, to provide products that worth the money paid for it for customer satisfaction, create new jobs and new wealth for their businesses, encourage innovation.

Legal: comply with the law.

Ethics: be moral, honest, respect human rights, avoid harm or social injustice, and prevent damaging other actors.

Philanthropy: to useful work for society.

**The concept of "stakeholders".** Many societies accept the idea of the presence of common sense in the minds of corporate organizations, providing constant insight leadership responsibilities of the institution in relation to civil society. Regardless of the type of business or organization, there are groups of people who affect the organization or which are affected by the organization itself and which therefore can be considered as such to impose some responsibility for the organization. These groups of people are generally referred to as "stakeholders" include employees, customers, shareholders, suppliers, the local community, the state and society as a whole. In fact, some of these stakeholders will have a greater impact than others, and the business must have understanding of the level of impact that can make each of these stakeholder groups (Corporate Social Responsibility: Understanding and Implementation 2005, p. 8).

**The concept of corporate accountability** emphasizes that the company in some way are responsible for the consequences of their actions. Today, companies must become more accountable to the whole society, not exclusively to its stakeholders. Nowadays, the primary means for accountability is to create transparency by reporting on non-financial activities and contacts with stakeholders. The only way to ensure that transnational companies do not use differences in national regulation for their own benefit - to provide accountability of companies to binding international standards of behavior with uniform sanctions.

**Voluntary concept.** One of the concepts of social responsibility implies for companies - more than that which is required by law or economics – seeks long-term goals that are beneficial to society (Robbins and Decenzo, 2001). It is important that organizations are committed to justify the expectations and performance of moral obligations at the level of society. This means that the correct behavior of business sector takes into account the welfare of wider society.

**The concept of pro-activity.** CSR from a business perspective is a means of responding to the challenges of sustainable development. Companies can do this "reactive" (reaction-based approach) or "proactive" ways (a strategic approach) that systematically enhances governance for sustainable development. When approaching from the reaction of perceived changes in the development and behavior of both the risks to which they respond more or less special events. They do this because they are afraid that if they ignore these problems, it may damage their reputation, and in severe cases – even deprive them of their license to operate, or at least become a lost opportunity (business). Although one would expect, that particular way to respond to specific problems through CSR limits socially responsible activities, corporate training processes in order to reach CSR are the so-called "technical training" tools and measures (Glasbergen 1996).

#### **4. Empirical Findings. Analyzing the situation in Ukraine**

This part of the thesis will provide a reader with the findings from the research overview and serves as a stepping stone in understanding the following research in general. While being centered on the issue of CSR, the main focus would be drawn upon the analyzing the development and evolution of the term of socially responsible business. The study will closer examine to the case example of Ukraine, its own historical prerequisites for CSR establishment and National Strategy Paper introduced to the government in order to efficiently develop socially responsible business practices.

##### **4.1 Focus on CSR, its development and current situation in Ukraine.**

Social problems solution in modern Ukrainian society is the one that needs to be addressed by the government as well as by business sector. Looking at the previous experience with the policies issued by the state and their lack of comprehensive impact on the society and taking into consideration various actors and stakeholders involved in the development process, is time for deliberate use of social resources to guarantee sustainable development of country and qualitative improvement of population life. Under the conditions when great part of national economy belongs to private sector it is logically and naturally that business sector shares with state the responsibility for social and economic situation in the country.

According to Shapoval (2009) historically we can see that social trend in activities of national business was entirely developed at the end of 19th century. "Before the revolution the social activities had the form of philanthropic and charitable projects, including construction of hospitals, schools, housing for workers, etc. Unfortunately, after the revolution the traditions were forgotten. Later, under the Soviet Union, enterprises performed a number of social functions and had their own social infrastructure" (Shapoval 2009, p. 117). Thus, enterprises played a role of specific social guarantee, quantity and quality of social services for workers directly depended on enterprise size.

The start of market reforms made social policy of enterprises to undergo through cardinal transformations. First of all, the transformations impacted their social infrastructure. Today, we can distinguish some sequential stages of the transformations: period of social infrastructure collapse, period of stabilization and optimization (Chirikova et al., 2005).

Beginning and mid of 1990s (stage one) is characterized by sharp collapse of social infrastructure of enterprises. Within the period, companies of all property categories tried to remove social infrastructure objects from their balance as their maintenance was burdening in hard time of market fluctuations. "To a certain extent the behaviour was conditioned by necessity to survive under those constraining conditions. Sharp and deep economic disturbances forced enterprises cut costs which were not related to short-term return. As a result, social objects which used to belong to

enterprises turned out to be private; some were passed to local authorities or just lost” (Shapoval p. 117).

Afterwards, “due to the improvement of financial situation the practice was not further considered by managers of enterprises as a tool in survival strategies. From the beginning of stage two (end of 1990s) social infrastructure returns its significance as valuable factor in corporate strategy. Managers of enterprises started to pay attention to other, besides corporate income variables, benefits in their performance and development. As they were receiving incomes and profits, they were investing some part of financial resources to restore and building up social infrastructure” (2009, p. 118). According to Shapoval (2009) “business expansion and development of enterprises caused the beginning of the third stage in social infrastructure transformations. In the beginning of 21st century the social infrastructure started to become restructured and optimized”. “Among other things, use of social objects started to be considered by enterprises as a part of corporate social policy, business communities and country on the whole began to frame their attitude to social responsibility of business” (Shapoval 2009, p. 117).

However, “there are still many domestic enterprises that continue clearing policies in regard to social sphere. Taking into account such situation in the country, one can assume that optimization of social infrastructure will take much time” (2009, p. 118). Thus, the above mentioned division of phases in social infrastructure development is rather conditional, “and transition from one stage to another depends on economic state of enterprises and understanding by managers social problems which arise today or may arise in future”. “Each actor on the market relies on self interests and thus determines the level and parameters of social responsibility inclusiveness” (Shapoval 2009, p. 118). Current Ukrainian legislation favors this view as state stays to be the main guarantor of just employment policy, unbiased approach to employment, worthy labour conditions, observance of human rights and preservation of ecological balance. “Besides, obvious paradox is present: national businesses consider social responsibility as a tool to raise competitiveness and as a certain burden” (Shapoval 2009, p. 119).

That is why, poverty negotiation, welfare gain, social protection of the population, promotion of public health, education, science and culture are the problems which should be solved by governmental authorities, the whole society and business organizations. “Implementation of high technologies, consumer goods and services production, strict observance of tax legislation, creation of new jobs, respectable wages and proper labour conditions, environmental protection and energetic charity should become the key criteria of social responsibility as well as background for future business progress” (Shapoval, 2006, p. 20).

Ukraine's transition to becoming sustainable market-based economy, its integration into European and world community require modern practices of interaction between business and government, as well as business and society, which would allow to strengthen the mutual



responsibility of all participants in public life, to create conditions for the further sustainable development of society based on taking into account the widest possible range of interests.

Today, the most economically developed countries take into account the widespread phenomenon of "social responsibility", understood as a responsibility of the organization, the company's decisions and actions impact on society, the environment. Through transparent and ethical behavior that contributes to sustainable development, including health and well-being of population, pay attention to the expectations of stakeholders, consistent with applicable law and international norms of behavior; integrated into the activities of the organization and practiced in its relationships.

Thus, "CSR is a voluntary activity of the private and public sectors, aimed at maintaining high standards of operational and production activities, social standards and quality of personnel, minimize harmful effects on the environment, etc., in order to align the existing economic and social disparities, creating trust relationship between business, society and the state, improvement of business efficiency and profitability indicators in the long run" (Goncharov, Krichevski 2006). CSR is closely linked with the activities of companies achieve business excellence and quality in production.

Nowadays socially responsible business activities is generally the rule, which adheres to a significant number of large, medium and even small companies worldwide. "Given the extraordinary social and economic benefits that include corporate social responsibility, the question of its development belongs to the special attention of public authorities in many countries and major international organizations. A manifestation of this note is to develop CSR standards and measures to stimulate business in socially responsible activities" (Shapoval 2009, p. 120).

In most EU countries various forms of governmental programs have developed and are operating to support and promote CSR. According to these programs the state determines the desired behavior for business, joins the company private and public sectors for joint addressing of socially important problems, economically stimulates business to socially responsible activities and more (Goncharov, Krichevski 2006).

The main characteristics of CSR are voluntary nature; integrity in the business strategy of the organization, company, consistency; benefits for all stakeholders: employees, customers, shareholders, communities, etc., and for the enterprise itself; contribution to the process of sustainable development. Social responsibility is not just limited to charity.

On the basis of existing research CSR in Ukraine seems to be in its infancy stage. The most active in this field are primarily representative offices of foreign companies that transfer the international practices and principles to the Ukrainian context, along with large and small domestic companies and organizations who for the last 15 years are improving their activities on the basis of the ISO standards. However, this process requires some coordination and incentives, and therefore

the active participation of the state, which should define CSR as the desired behavior for business and develop a set of appropriate incentives (this has reached the authorities of EU member states).

That is why government support is needed to emphasize the importance of ethical and socially responsible behavior of companies, promoting best practices of domestic companies with social responsibility in Ukraine and abroad, and to enhance the prestige of sophisticated institutions and processes of continuous system improvement. This will allow the companies to enhance long-term competitiveness and reputation through the practice of responsible attitude to their employees, customers and other stakeholders. This issue is even more relevant now when globalization and integration processes are drawing more attention, as foreign governments attach great importance to the processes of their companies in emerging markets, and their compliance with the standards of human rights, labor, and environment. And also in a light of current political instability emerging after the refusal of Ukrainian president to sign the economic partnership with EU, this issue of human rights and international standards are the main importance.

In the following section the national strategy for successful implementing of social responsibility of Ukraine is being revised and analyzed. Theories presented in theoretical framework chapter help us to examine what are the major shortcomings of national strategy and also what has been done on governmental as well as private level.

#### **4.2. National Strategy of social responsibility in Ukraine**

Considering all the mentioned above issues and obstacles for Ukraine to overcome in order to reach the desirable development state, the following analysis presents one possible solution. Most appropriate in this context is the adoption of **national strategy of social responsibility in Ukraine (the Strategy)**, which has clearly fixed the position of the state in this area. The adoption of this document will improve the overall situation of Ukraine on the global arena through bringing closer the business and social structures. It also includes the changing nature of attitude towards the environmental issues among stakeholders in business sector.

As a result of the Advisory Council on the development of the National Strategy for CSR in Ukraine at the Verkhovna Rada of Ukraine for Regulatory Policy and Entrepreneurship, formed in 2009 after the committee hearings "Development of CSR: Ukrainian Perspectives", the process of formalizing an understanding of CSR in Ukrainian society has gained momentum and became relevant driving force in changing in the social perception of this phenomenon (Corporate Social Responsibility: Understanding and Implementation 2005).

Moving on to the analysis of the present situation in the state and drawing on the stakeholders' theory presented above by Freeman (1984) social responsibility in Ukraine works firstly on the basis of compliance with legal obligations to the state and society (paying taxes, health and safety, workers' rights, consumer rights, environmental standards) and industry standards. Thus the view

mentioned above by Jones (1980) that the stake of the company may go beyond the ownership point, when the workers' rights are also considered as an important factor on the managerial scheme.

Secondly, minimizing or eliminating the negative impact of business on society and risk management (e.g., violations of human rights or environmental contamination), touches upon the concept of corporate accountability. In Ukrainian case, issue is still under constant discussion, as large number of companies is not ready to take responsibility for their actions, as no strong legislative base is developed by the state in environmental state law.

Thirdly, strengthening the positive impact of business on society and create value through innovation, investment and partnership, aimed at social and environmental well-being (job creation, social and economic development, conflict resolution) is essential business-for-development tool. The concept of core business strategy presented in theory chapter by Sayenko (2002) supports the idea of efficient functioning of CSR practices only in a sound and institutionalized society.

Taking into consideration and dwelling on the theoretical framework of this study it is also essential to mention some of the factors that make it so necessary for Ukraine to implement the Strategy paper on CSR. Low level of corporate culture and, as a result, the financial and economic weakness in a significant proportion of companies in Ukraine is one of the most common obstacles. Activity of the economically weaker subjects is focused on survival, and society and the state often occupy an opposing position. This general stagnant situation in the backdrop of constant lack of funds does not contribute to the spread of ideas and principles of social responsibility at the national level. This will be later shown and suggested by the outcomes of the interviews conducted for this research.

In Ukraine the culture of respect for laws and legislation in general is in early stage of formation. Most enterprises are driven by desire to avoid the law, not to follow it. This is partly due to the quality of laws passed in Ukraine, their volatility and selective application. However, following the concept of duty by Carroll (2000) company's performance should go beyond the economic success, which brings us to the conclusion that situation in Ukraine is being under a great transformation, where state and business initiatives are two major counter-players.

Inaccuracies in implementation of social responsibility in Ukrainian companies are the outcomes of the fact that Ukrainian companies and organizations are aimed primarily at labor practices and measures to protect the health and safety of consumers. Less common are measures for protecting natural resources and interaction with the community: only a third of companies make social investments in the community, half of the companies do not take measures to protect the environment (UN survey, online).

Most companies take into account the interests of consumers and public authorities, less frequently - NGOs and research organizations, educational institutions, cooperation with latter is

basically absent, which results in the uneven evaluation of the stakeholders' interests. This in turn, leads to all of the mentioned above obstacles, as the public awareness is not rooted in the development process and role of business is underestimated as a tool for development.

It is also worth mentioning the international context of social responsibility in Ukraine. The concept of socially responsible business came into Ukrainian business market from successful practices of the northern and industrialized countries, which can be seen as an example of institutional monocropping theory by Evans (2002).

External factors that facilitate the successful implementation of the National Strategy CSR in Ukraine vary in their nature, however all targeted at presenting Ukraine as a desirable place for business partnerships. The need in positioning the Ukraine on an international market - the practice of global business leaders for the past 20 years shows that social responsibility is no longer a selective alternative, so called "whim" of successful companies (Concept Draft paper on National CSR Strategy in Ukraine p.7). Instead, CSR today - is an essential and integral part of the business process, supported not only by companies in different regions of the planet, but also international organizations (UN Global Compact, the International Labor Organization, UNICEF, UNIDO, the Council of Europe, the European Organization for Quality, International organization for Standardization) and the governments of various countries (Denmark, Norway, Slovakia, Germany, Macedonia, France, UK).

Secondly, Ukraine strives to be a part of multinational forum with one shared market. The issue at hand is the joining to the European Union. Thus the approved 2009 Agenda of the Association Agreement between Ukraine and the EU accomplished certain tasks related to social responsibility. The European Commission considers social responsibility as part of the contribution to the sustainable development strategy and European economic growth and employment, as CSR contributes to a variety of purposes, including social cohesion, economic competitiveness and a more rational use of natural resources (European Business Network for CSR 2013). In the EU, the social responsibility of business is included in the policy of employment and social affairs, politics, business, environmental protection and consumer rights, government procurement policy and external relations. Priorities for the EU are promoted onto the possible partners and countries of Neighborhood Program and the Eastern Partnership, Ukraine being one of those countries. As a result, Ukrainian government is facing the important step to take where they should implement foreign practices in order to be able to unite with the desirable partners. The main issue here is whether those practices are going to be adjusted to the needs of the country or blindly transferred without either economical or cultural background. However, the situation at hand with nation-wide riots against current president and ruling party after the failure in signing the agreement with European Union, suggests the split in mindsets of common people and those in power.

Lastly in this chapter of analyzing the current trends in development of socially sound business practices in Ukraine it is fruitful to look at the United Nations Global Compact and Ukraine's compliance with this initiative. Since 2005, Ukraine has a national network of companies and organizations that have declared their commitment to the UN Global Compact. The basis of the Global Compact are 10 principles in the areas of human rights, labor, environment and anti-corruption, which is a code of ethical business conduct and compliance with them in their activities is mandatory for participants. Despite the voluntary participation requirement for companies is to provide annual reports on the implementation of the principles of the Global Compact in daily activities (Concept Draft paper on National CSR Strategy in Ukraine 2011).

For 10 years the initiative was joined by more than 8000 companies and other organizations from more than 130 countries. In Ukraine, the local Global Compact network in existence since 2006 and brings together more than 160 participants - from major international and Ukrainian companies to small and medium enterprises as well as non-governmental organizations, academic institutions, business associations and others (National CSR Policy as an Effective Instrument for the dialogue of Business, Government and Society 2012). The Global Compact today is the largest platform for the development of corporate social responsibility in Ukraine both by the number of participants that have committed to the principles of responsible behavior, and by broad national geographical scope.

For mentioned above goals and targets to reach and for the Ukrainian state to become a desirable partner and welcoming neighbor certain objectives of CSR have to be taken into account. These include institutional and regulatory conditions, developing opportunities for business organizations to support them in the implementation of CSR.

To conclude in this part of the empirical findings on current situation on the CSR arena in Ukraine the need for developing capabilities and competences of business organizations is considered as important step in order for them to implement CSR. Drawing on the finding from the qualitative research following this part, it came clear throughout this research that improvement of corporate governance and implementing the corporate strategy in a business strategy is as essential as improving the legislation governing market activities and obligations in the field of social responsibility. Also in order to get positive overviews on the business acting as an active member in social development, the exchange of experience and good practice of corporate responsibility among the companies should not be neglected by business organizations (Corporate Social Responsibility: Understanding and Implementation 2005, p. 11).

## 5. Results and Analysis

This chapter provides the findings from the analyzing the data collected throughout the interviews and also the secondary data collection. The main goal here is to identify and define the concept of Corporate Social Responsibility, determine the expectations of various sectors of society of socially responsible companies and understand how the current state of matters comply with the principles of socially responsible business.

### 5. 1. Defining Corporate Social Responsibility

The study showed that at the present time in Ukrainian society there is no consensus on what is meant by term corporate social responsibility, which imposes strong imprint on all of the results of the study.

For example, it is possible to identify the following perspective on understanding the concept of corporate social responsibility:

- The responsibility of business to the state and nation
- Obligations to employees
- Liabilities to the partners
- Output of high-quality products, reliable information about the possible harmful effects of the product
- Charity and social programs.

By combining various ideas and thoughts gathered while conducting interviews, the research therefore presents main standpoints of each sector represented by the sample representatives.

#### **Business**

Businesses are interested to raise the issue of social responsibility, and tend to agree that CSR should be identified and understood by the society. Nowadays, in their view, there is no clear and precise terminology of CSR, each talking about social responsibility implies different meanings.

*"There are very different opinions what we consider social responsibility. Some think that it is complete information about the company, information on products and services, information on the impact of production on the environment, etc. While the executives believe that social responsibility is to provide benefits for the workers, increase their wages..."*

*"Generally, social responsibility includes: obtaining a truthful income, paying all taxes, open accounting, manufacturing and promoting their products in a fair way without bribing officials,*

*concern for the environment, taking care of those people who are influenced by the surrounding factories and of course taking care of employees of the company ...".*

### **State**

Summarizing the information gained when conducting interviews with the representatives of the state it can be said that business must comply with the law, the main thing - to pay taxes, according to the system, without this it is impossible to participate in solving social problems.

*"Undoubtedly, the tax obligations are main criteria of successful business performance in terms of both the state and society. On the other hand, fair payment of taxes - is also indicator of the social responsibility of business. Very often social responsibility refers to charity, sponsorship and similar initiatives. Meanwhile, the faithful tax-performance of enterprises of all forms of ownership affects the lives of citizens and, in particular, life of the so-called public sector: doctors, teachers, cultural sector".*

If this condition of successful tax-performance is satisfied, it is desirable that the business included itself in the social life, with a focus on sharing profits in the spheres indicated by the government.

*"Generally, the companies should invest their money wherever the state addresses them to".*

Representatives of the state sector include into social responsibility, in addition to law enforcement, the quality of products and services that should ensure profitability, respectively contribution to national economy, as well as taking care of employees of the company, taking care of vulnerable sections of the population (students, pensioners), and training sessions. For industrial enterprises an important point of social responsibility includes the strategy on environmental policy.

### **Media**

In the opinion of the media, it is vital to agree on what social responsibility is. Now there is no clear understanding of the CSR, it is necessary to formulate principles and criteria.

Summarizing the views of representatives of private media, they believe that the key to social responsibility is to provide a decent quality of products and services. Second prerequisite is mutual responsibility of employees and management, fulfillment of obligations for both of them. Ideally, workers should receive a decent wage, in turn be interested in professionally working for a company. If the company provides a sufficient number of professional jobs and decent wages, people tend to feel social responsibility of business on themselves.

*"If every citizen would have been working in the company, while each company CSR would be targeted at their employees it would ensure decent working conditions and a decent wages".*

### **Society**

According to the views of representatives of society, business practices should strive for compliance with international standards, only then the normal conducting of business in Ukraine is possible.

For this reason the quality of products and services are essential, along with open and transparent financial accountability. Although this is more related to the sphere of production, for which there is no moral categories, and it is evaluated in terms of effectiveness of the business itself. A real social responsibility evaluated in terms of ethics in society. Therefore, the evaluation criteria of social responsibility in different spheres consist of the contribution to the national economy, conducting social programs needed by society, sustainable development.

Social leaders say that often social responsibility attributed traits "*of any normal business, not just socially responsible (for example, information about the possible harmful effects of the product and quality of this product). Any normal business should be socially responsible.*"

Ideally, social responsibility should be understood as compliance with international standards. But there is no clear idea of what CSR is and it should we studied more properly. Learning about socially responsible practices, in the opinion of the representatives of society, includes adopting a positive experience of the western and some large Ukrainian companies that know how to do it and are actively conducting CSR policies according to international standards. However, taking into consideration the concept presented by Evans (2002) earlier in the research, it can be argued that while striving for the image of CSR from western countries Ukrainian society can suffer from lack of knowledge, experience and in general the wrong "institutional blueprint for development" (Evans 2002).

## **5. 2. Obstacles hindering the development of the CSR concept**

Moving on to the next point of interest in this research is the question of main incentives and obstacles that influence the development of the concept of corporate social responsibility.

Taking into consideration everything that was said throughout the interview process it can be summarized into few main points when it comes to factors hindering the successful implementation of one acceptable concept of CSR. Those include:

- Negative image of business in the minds of the population.
- Trouble understanding the difference between the real social responsibility and PR of the company, distinguish charity and sponsorship.
- At the legislative level, social responsibility is not embedded; there are no corresponding benefits for businesses that successfully imply it in their business strategy.

*"No incentive to socially responsible behavior exists, companies do not have any relevant tax forms or the tax legislation benefits, their corporate social responsibility is not encouraged"(Media)*

- For many small and medium scale enterprises and organizations no clear and transparent accountability is possible due to the imperfections in tax legislation and law system.



*“Open and transparent financial reporting - is a problem of the state, business fears the ‘mighty’ tax system officers” (Business)*

Using a comprehensive analysis of the current state of CSR in companies it can be seen that the vague definition of CSR itself plays rather a negative role in the establishing of social policies into the business practices.

When talking about the obstacles that are present nowadays, the person representing the business sector tend to agree on the issue of trust and mutual expectations for and from general population.

For business initiatives *"Unfortunately, in recent years our society has undergone many disasters, and we note that our company passed the time of ‘perestroika’ (reconstruction). It has gone through several different owners, thus people have a sad experience when it comes to private capital, and to me these feelings are absolutely clear, I perfectly understand them, but I can not say that I absolutely agree with them. In my opinion, many Ukrainian companies already today could be trusted in terms of their social responsibility. Where they haven’t yet reached the desired state, firstly - they understand it, secondly – they want to reach it in near future"* (Business).

However when the same question was asked in the interview with the government representatives, two quite contradictory thoughts were presented. Some think that CSR is completely missing among Ukrainian companies, while others tend to share the view of business representatives in believing that socially responsible business take an important role in Ukrainian society and the overall trends are positively directed.

*“Due to the fact that at the legislative level, social responsibility is not yet fixed as a concept, everything depends on the wisdom or desire of executives and on previous experience of these companies in various industries”*(State)

The issue of voluntary nature of CSR, as it was mentioned in the theoretical part of this research (Robbins and Decenzo, 2011), explains the unwillingness of organizations to perform long-term business strategies where there is not yet a strong governmental base and help by legal forces.

As for media, the socially responsible companies do not really exist in Ukraine. Nowadays, the majority of companies use the CSR methods to promote their company and for advertising purposes. According to representatives of the journalistic community, *“three years ago companies perceived social problems as charity, today they all understand that it is the survival of the business and positive image of the company on the international arena. Companies operating in the global market, are forced to behave as socially responsible, they have to comply with unnecessarily international standards.”*(Media)

However, there is another reverse, the ugly side of social responsibility that *“due to the fact that some of the money that are paid for charitable programs, are just “gone money, used by executives to hide own profits” (Media)*

Interviews with the members of the public society and NGO showed that while Ukraine has not yet created favorable conditions for business, the number of socially responsible companies remains small. Those that do support the concept of socially responsible business mainly include international companies and a small part of large domestic enterprises.

*“There are certain collective agreements in relation to workers, but they only exist where there is help provided by municipal structures, which are adjoined to the enterprise and have their own gains for being involved, including international help, donor aid and grants ”( NGO).*

### **5. 3. Transparency and Social Accountability**

Respondents' opinions concerning the issue of transparent reporting system of CSR showed the strong dependence on their understanding of the term corporate social responsibility itself.

Due to the fact that among the leaders of public opinion no agreed position on the fact what should be expressed in a socially responsible activities of companies, and how society should evaluate it, it is even harder for them to answer the question of whether the companies are accountable to the public on this item and how it should happen.

Here it is possible to distinguish two extreme positions on the issue:

- Social accountability is the guarantee of social responsibility - this view is held by most of the interviewed representatives of society and some business sectors. Defining the word "responsibility" in social responsibility implies willingness to report in the implementation of this commitment. Responsibility to report serves as a willingness to meet commitments.

*“Meaning we do not just take commitment and responsibility standards, but we are still willing to report whether we completed it or not” (Business)*

- Social accountability is not needed - this view is held by members of the media interviewed. Media executives are reluctant to the practice of CSR reporting. Firstly, they perceive the idea of reporting as an advertising market action, which cannot be trusted, and secondly, it reminds them of the principles of the former Soviet system, which led to a large number of unnecessary paper work of civil servants and, therefore, led to bribery and corruption. They see no sense in burdening business further with reporting on social responsibility when it is already crushed by various extortions.

*“This reminds me of an old Soviet habit to report to the higher level of power on everything that was done and was planned to be done in a future. This led to nothing in the past as we see now, thus I think it won't led to anything in future” (Media).*

Other representatives of state and academia tend to fall in-between those two quite opposing ideas and set of principles when it comes to the transparent actions of social responsibility and accountability for the actions.

*“Information should be good, powerful and relevant to time and to people, and not just because it promotes a better image of the company” (Academia)*

*“To whom report to? Unfortunately, there is still no structure of interaction between business and the state. This is the matter for the future cooperation” (State)*

This only proves the statement presented in the beginning of this section when no clear definition of CSR leads to the distortions on all levels of implying socially responsible strategy to the business strategies.

#### **5. 4. Priorities in evaluating the CSR performance**

Prioritizing the criteria for evaluating socially responsible business among the various society groups, the findings could be organized in the following table. Looking closer at this table, we see that various groups of Ukrainian society value different aspects of CSR on different levels, with the small exception in the first line, where all four interviewed groups put the quality of manufactures products and services on the first place. This goes back to the concept of stakeholders and Freeman’s stakeholder theory (1984), where the customers, as stakeholders, play a great role as the main consumption power in the market-based economy. Whereas, judging on the quality of the goods of a particular manufacturer consumers tend to draw a positive image of the company and thus result in boosting the revenue of this particular enterprise. And due to more recent political instability in the country, Ukraine tries to keep up the good “face” in front of the European Union, thus the quality of exporting goods from Ukraine should reach the standards set by higher power in Europe.

In next sections we see a distinction in evaluating the components of CSR practices. While state seem to put a lot of attention to the legitimate tax abidance and contribution to the state economy, media and society put the social protection of the employees on the higher value. Environmental protection and sustainable approach to the natural resources are agreed by mostly all groups to be somehow closer to the end of the list, due to the fact that there is a lack of environmental programs in the governmental system in Ukraine in general. As a result the environmental part of CSR is rather a voluntary concept, where the business behavior in this sphere is not yet fixed by the legal systems, however are implied by them on the minimal level to meet the internationally accepted norms.

Business representatives put the section of decent wages lower that the rest representatives, however this may be the cause of the lack of governmental support in this sector. While paying taxes should eliminate possible situations, lack of strong governmental lead and just tax system,

business structures are stuck in the situations where paying taxes does not leave enough income to cover all the rest of the expenses of the enterprise.

	<b>BUSINESS</b>	<b>STATE</b>	<b>MEDIA</b>	<b>SOCIETY</b>
<b>1.</b>	Quality of products and services	Quality of products and services	Quality of products and services	Quality of products and services
<b>2.</b>	Protection of employees	Business practice – law abidance	Social protection of employees	Compliance with laws, transparent financial reporting
<b>3.</b>	Compliance with laws, payment taxes according with the laws	Social protection of employees, care for pensioners, decent wages	Ensuring decent wages	Social protection of employees
<b>4.</b>	Contribution to the economy, creating skilled job positions	Contribution to the economy	A sufficient number of professional workplaces	Decent wages, contribution to the economy
<b>5.</b>	Decent wages	Environmental activities	Environmental activities	Environmental activities
<b>6.</b>	Environmental activities	Participation in state social programs	Assisting state in solving social problems	Charity (not sponsorship), long-term social projects
<b>7.</b>	Charity programs, social projects			

Concluding this chapter it is necessary to sum up the findings gained from the analysis of the interviews for this research paper. Taking into consideration everything said by various representatives of different spheres of Ukrainian society and combing it with the theoretical approaches in the beginning of the paper it can be assumed that it is important to define the terminology to agree on criteria for assessing the socially responsible behavior of companies. Nowadays, the business should continue to consistently pursue a policy of social responsibility, to conduct long-term programs that are truly needed by society, demonstrating its resilience, determination to make their contribution to the development of Ukrainian society, in spite of the difficulties and obstacles. It is essential to continue engaging in a dialogue with the government, NGOs and the media for their assistance in creating favorable conditions for the development, dispersion and transfer of experience in the field of CSR. With all three parties: the state, community leaders and the media, it is important to inform the public about what is being done by companies in the field of social responsibility.

According to the surveyed community leaders, a successful implementation of the concept of corporate social responsibility to a society requires a substantial amount of time. Further encouraging and supporting emerging initiatives of companies in following international standards of social responsibility might require the right time for it, due to the fact of current political disputes in the country. The initiative must come from the large business enterprises, but it is necessary for it to be picked up and continued by other actors, such as political and legislative systems, in addition to be well discussed and presented in respected media channels, not based on commercial basis.

Ideally, while acting on the principles of CSR, company does not expect additional advertising or create a certain "status" in the eyes of the public. This is what distinguishes CSR from sponsorship. The company should be full of goodwill and belief that social responsibility is good business.

## **6. Conclusions**

As seen throughout the analysis part for a large number of Ukrainian companies the CSR is not yet written down in their business strategies, as it is praised to be and is in the most of European countries. Partly due to the lack of legislative base, partly to the concept of stakeholders by Freeman (1984) being underestimated and important yet not prominent stakeholders are being forgotten when establishing new corporate responsible strategies.

In addition, when it comes to the accountability among Ukrainian companies, this point can be called a problematic one for a number of Ukrainian companies. Mainly because there is a difference between creating a strategy of the CSR and implementing it. No official reports are required on the annual basis for the state, thus enterprises tend to choose the information they want to reveal to the publicity.

However, the trend also shows that the growing number of unsolved social problems by a state result in overall awareness of business as a next major tool in promoting social changes. What is needed from the state is cooperation in a form of lowering the taxes for smaller companies and approving the national strategy paper developed by companies and non-state CSR initiatives. However, current political situation in Ukraine is quite confusing and does leave hopes for better, as the dialogue with officials is not yet established. Popular idea spread among the officials that CSR as a phenomenon will not be integral to the business society until Ukraine joins EU are just hindering the developmental process. The major disagreements had their boiling point when the President declined the economical agreement with EU in November 2013. As for now, the general population rejects the current President and his ruling party. However, while non official response has been heard from the government, no predictions can be made on this issue.

Considered everything presented above in answering the research question of how the concept of Corporate Social Responsibility is understood by different social actors it can be said that in general in Ukraine the negative image of business initiatives hinders the process of establishing the concept itself. The vast majority of population lacks the information and channels to get this information on the issue of socially responsible business. As a result no demand on their side is present, which leaves companies to act on the voluntary basis without governmental support. The views differ from side to side, with no common set of criteria in evaluating the CSR performance. The main finding in this research, is however, considered to be the idea that the various, sometimes rival, sectors of social life in Ukraine tend to agree to work together on establishing one commonly-acceptable concept of corporate social responsibility.

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## **Appendix A**

### Interview guide

- What is the position of the sector you are representing in corporate social responsibility?
- How would you define Corporate Social Responsibility in terms?
- What factors affect the social status of the Ukrainian companies?
- Main incentives for development of concept of CSR
- What are the main obstacles for those concepts to be implemented in the company's policy?
- How would you describe the present level of CSR in Ukraine?
- How would you evaluate the quality of the information spread by the companies and their level of accountability?
- What social standards would you include in evaluating the CSR performance?