

## **SOCIAL RESPONSIBILITY AS CONTEMPORARY FACTOR OF BUSINESS DEVELOPMENT**

***Summary.** The article is the result of a systematization of research on corporate social responsibility. The presented materials allow us to look at CSR in a logical sequence from the point of view of the regulatory framework, geographical factors and managerial approaches, and the role of the state in forming the prerequisites for the social responsibility of business. Business is the central point around which the research is built, and the data is systematized.*

*The article emphasizes that the formation of a modern business environment cannot ignore the factors of social interaction with stakeholders and organizations, which will introduce CSR principles into their activities. This process will evolve from state coercion through regulations and restrictions through state-business interaction and partnership to the integral inclusion of CSR principles into daily activities at all levels.*

**Keywords:** social responsibility, management, business development, economics

**General background.** The concept of social corporate responsibility (CSR) spread around the world at the end of the 20th century, when the role of trade unions in the field of labor protection was strengthened, and society's attention to ensuring social protection of employees increased. In the context of the dependence between public opinion about a corporation/firm and sales dynamics, the factor in popularizing the concept of CSR was the marketing strategies of firms focused on consumer preferences.

On September 13, 1970, when Friedman published his landmark piece, "The social responsibility of business is to increase its profits," in the New York Times, he wrote: In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of society, both those embodied in law and those embodied in ethical custom.

The spread of CSR was also facilitated by the fact that in developed countries of the world, strict standards were introduced in the field of labor legislation and in the field of greening production, requirements for environmental protection, and minimization of environmental risks of corporate activities in accordance with the standards of sustainable economic growth.

At the international level, documents were adopted that substantiate the philosophy of CSR: Agreement on Social Policy of the European Union (Agreement on Social Policy, Access to European Union Law, 1991); Rio Declaration on Environment and Development, United Nations, 1992; UN Global Compact, New York, 2000; Millennium Development Goals, United Nations Millenium Declaration, 2000; ISO 26000 Guidance on social responsibility, the International Organization for Standardization, 2010; The Sustainable Development Goals, United Nations, 2015, etc.

In the late 20th and early 21st centuries, CSR activities became integral to a corporation's brand, increasing its capitalization. In the 21st century, it is common practice for well-known corporations to publish annual CSR reports. In 2015, 81% of the world's 500 largest corporations voluntarily published non-financial reports on economic, environmental, and social activities (in 2011, 61% of such companies submitted similar reports).

On 01.01.2017, the EU Directive on the mandatory disclosure of non-financial information and other information of a different nature (EU Directive: disclosure of

non-financial information and diversity information, Directive 2014/95/EU of the European Parliament and of the Council) came into force, according to which all companies with more than 500 employees are obliged to provide data on the economic, environmental and social results of their activities, on business partners in annual reports and make them public.

According to ISO 26000 Guidance on social responsibility, Social responsibility is an ethical focus for individuals and companies that want to take action and be accountable for practices that benefit society. It's become increasingly important to investors and consumers who want to put their money into or purchase products from companies that take steps to contribute to the welfare of society and the environment.

The objective of social responsibility is to contribute to sustainable development. An organization's performance in relation to the society in which it operates and its impact on the environment has become a critical part of measuring its overall performance and ability to continue operating effectively. Main aspects are summarised in fig. 1.

<b>7 core subjects and issues of social responsibility:</b>  1. Organization al governance 2. Human rights 3. Labor practices 4. The environment 5. Fair operating practices 6. Consumer issues 7. Community involvement and development	<b>Environmental Responsibility</b>  Environmental responsibility is the belief that organizations should behave in a way that is as environmentally friendly as possible. It's one of the most common forms of CSR. Some companies use the term "environmental stewardship" to refer to such initiatives.	<b>Ethical Responsibility</b>  Ethical responsibility is concerned with ensuring an organization is operating fairly and ethically. Organizations that embrace ethical responsibility aim to practice ethical behavior through fair treatment of all stakeholders, including leadership, investors, employees, suppliers, and customers.	<b>7 Principles of Social Responsibility:</b>  1. Accountability 2. Transparency 3. Ethical behavior 4. Respect for stakeholder interests 5. Respect for the rule of law 6. Respect for the international norms of behavior 7. Respect for human rights
	<b>Philanthropic Responsibility</b>  Philanthropic responsibility refers to a business's aim to make the world and society better.	<b>Economic Responsibility</b>  Economic responsibility is the practice of a firm backing all of its financial decisions in its commitment to do good. The end goal isn't just maximizing profits and ensuring the business operations positively impact the environment, people, and society.	

Fig. 1. Types of social responsibility [1-2]

**States role in shaping of CSR.** In world practice, several CSR models are distinguished due to the national and cultural characteristics of doing business [3-6].

The European CSR model arose and quickly spread in the northern countries of the European continent. The principles and foundations of CSR in the European model are regulated by the state, laws, and regulatory legal acts that regulate CSR standards, criteria, and effectiveness.

The British CSR model (Great Britain, Central European countries) is basically comparable to the European CSR model. It also involves the active participation of the state in financing CSR projects and popularizing CSR ideas. Thus, special training courses are taught in business schools and universities that popularize the ideas of corporate social responsibility.

The American CSR model is characterized by minimal state influence on the development of CSR in business and the private sector. In the USA, business structures take an active part in financing non-profit CSR projects through corporate funds. The state supports CSR through the legislative introduction of tax benefits. This model is widespread in the USA, Latin American countries, and some African countries.

The Asian model of CSR is widespread in Japan and South Korea. The state actively regulates CSR processes, and business fulfills almost all social obligations towards its employees: they provide housing, encourage the development of family professional dynasties, pay for the education of employees' children, finance healthcare services and pensions. This CSR system is comparable to the "lifetime employment" system, which has been widespread in Japan since the second half of the 20th century.

The African model of CSR focuses on projects related to the interests of local communities, for example, providing the local population with clean drinking water, ending the exploitation of child labor, charity and assistance from companies in the field of healthcare, combating epidemics, hunger, etc. It is about addressing the social and environmental problems inherent in the poorest countries in the world.

Considering these differences, we should stress the common aspects - considering the processes of regulating business social responsibility, we note the special place of the state in these processes. If the state voluntarily transfers part of the social functions to business entities, it primarily uses a regulatory approach. However, the latter assumes the decisive role of the state as a regulator of business social responsibility. At the same time, the state forms regulatory obligations for business entities, which violates the principle of voluntariness of business social responsibility. According to M. Friedman [7], since effective public control

over business social responsibility is impossible, then only the state can regulate business social responsibility. Therefore, the development of business social responsibility leads to the formation of contradictions with the principles of a market economy and, ultimately, to the need for state intervention in business activities.

The main objectives of the regulatory policy of business social responsibility are: ensuring the active participation of business entities in solving socioeconomic problems, introducing an innovative model of social responsibility development, creating new jobs, and reducing unemployment. The organizational and economic basis of the mechanism for regulating business social responsibility is based on state regulation, joint regulation of business social responsibility, and self-regulation of business social responsibility (fig. 2).

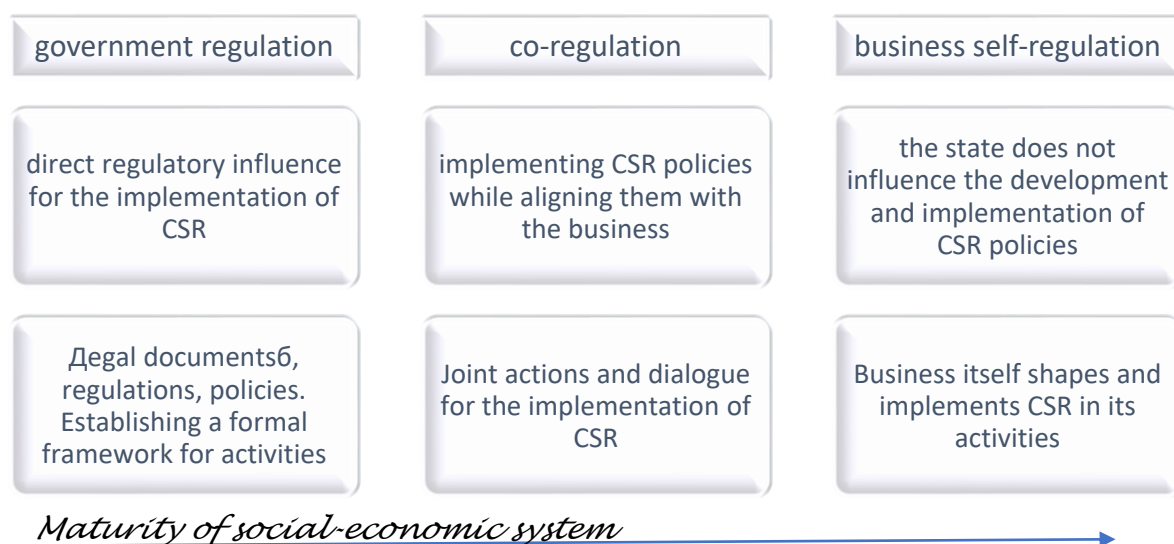


Fig. 2. Organizational and economic basis of the mechanism for regulating business social responsibility

**Business environment characteristics.** In a pluralistic society, business is influenced by all other groups in the system, and business influences them. Therefore, the businessman must be socially responsible for his actions. Mr. Davis [8] explains that not only are the parts of modern society more interdependent, but the social sciences are also giving us new knowledge about how business affects other parts. Also, managerial responsibility must be identified and directed in modern business, with ownership and control separated. The power-responsibility equation (social responsibilities of businessmen arise from the amount of social power they have) clarifies managerial obligations. In the long run, to maintain its position of power, business must accept its responsibility to the whole of society (fig. 3).

**pre-1970: Conversation** - The discussion of corporations' role in society

**1980-1990s: Global expansion** - The generation of fresh insights through serious research that integrated the disciplines of economics and management.

**2000-2010s: A focus on longer-term, inclusive growth** - Revision the fundamental ways we govern, manage, and lead corporations. It's also about changing how we view business's value and its role in society.

**2019 - today: Development and Collaboration** - Committing to leading their companies for the benefit of all stakeholders—customers, employees, suppliers, communities, and shareholders.

Fig. 3. Development of a managerial framework of CSR (created by author based on [9] )

According to AB Carroll [10] CSR has never been pure altruism, although some idealists would like it to be the driving motivation. In fact, businesses engage in CSR because they see in the framework the benefits for them as well as society. This enlightened self-interest has come of age, and there is no going back. It represents the most widely held form of conscious capitalism seen thus far, and as long as the worldwide economy continues to grow, CSR is expected to also. Its global support is increasing daily among both developed and developing economies, and this trend assures that it will be around in its present or modified form for years to come.

Philip L. Cochran [11] mentioned that perhaps the most important intellectual breakthrough regarding modern conceptions of CSR is that socially responsible activities can, and should, be used to enhance the bottom line. The corollary is that most, if not all, economic decisions should also be screened for their social impact. Economic returns and social returns should not remain quarantined in isolated units. Firms that successfully seek profits while solving social needs may earn better reputations with their employees, customers, governments, media, et cetera. This can, in turn, lead to higher profits for the firms' shareholders.

In the context of the previous conclusions and taking into account current realities, further statements on CSR should not be guidelines for current business practices [12-13]: firstly, business social responsibility should not be considered as a set of measures aimed at

periodic image support; secondly, socially responsible business conduct is socially conditioned since clear information is formed at the request of interested parties, which can significantly affect the functioning of the enterprise and the financial results of its activities; thirdly, the opinion that business social responsibility should be considered only as an obligation to comply with laws, the desire to implement long-term goals that are beneficial to society is debatable.

Depending on the size and industry of your business, environmental responsibility can take many forms. For some, it means using alternative energy sources and environmentally friendly materials, for others, it means implementing a company-wide recycling program or donating and volunteering for local environmentally-focused organizations [14].

Simultaneously, the successful implementation of corporate social responsibility principles is important for companies and society as a whole [15]. Key changes in the approach to social responsibility can be described as strengthening the role of charity and rethinking social values. Bringing security, freedom, and social cohesion to the forefront; adapting business models - quick response to relocation challenges of production, employee support, and community support; and innovations in financial assistance.

**In summary**, we can formulate samples of why we need CSR and why businesses need it. For businesses, compliance with CSR guarantees competitive advantages in the market: it facilitates access to investments and new markets, promotes growth in sales of goods/services, and increases profits. Business structures often simultaneously implement CSR, charity, and sponsorship (the latter areas are unrelated to improving the company's profitability). For society, the implementation of CSR by business structures guarantees the resolution of a number of social issues, increasing the level of environmental safety, efficiency, and thriftiness of business regarding the use of natural resources. CSR promotes cooperation between businesses and local communities, which has a positive effect on the indicators of the quality and safety of people's lives. CSR of business in the 21st century promotes society's transition to sustainable development.

The spread of CSR practices for the state contributes to developing public-private partnerships, particularly for implementing regional and national projects. CSR involves businesses solving social issues related to state social policy, such as employment of youth, people of pre-retirement age, and people with disabilities; financial support for social infrastructure facilities (schools, hospitals, libraries, museums); etc. Therefore, in the field of CSR promotion, the state should:

- clearly articulate its expectations regarding responsible business conduct;



- determine the support that socially responsible businesses can count on,
- develop recommendations for business regarding possible risks that may arise in various areas [16]

CSR also promotes cooperation between the private and public sectors in implementing the tasks of energy conservation, innovative development, greening of production (investing in environmentally friendly technologies, renewable energy), etc.

Why social responsibility for business and brands. Suppose everything is more transparent about the benefits for society and the population. In that case, not everything is clear about the advantages of such a decision for the companies.

Recognition. The more initiatives and "good deeds" are done, the more famous the company becomes. This includes free advertising in the media and social networks, word of mouth, and the loyalty of local authorities.

Positioning. There is no better way to declare your position than corporate social responsibility, namely its fruits, for example, refusing to work with an aggressor country, helping victims of hostilities, combating harmful emissions, etc. This is how the brand itself demonstrates its principles and natively promotes them among the masses.

Increase in sales. According to research [17] , CSR increases company sales by 20%, allows you to raise prices by 20%, and increases customer loyalty by 60%. Other studies also show that companies that actively apply the principles of social responsibility have 13% higher productivity, half the turnover rate, and 6% more expensive shares.

Purpose. The primary goal of a company is to make a profit, but sooner or later, money ceases to bring the same satisfaction as before. Therefore, there is a need for further development and the search for a more meaningful goal. A person is a creature that seeks recognition, and CSR helps get this recognition and benefits society.

Commitment. Employees who work in a socially responsible business are often proud of their work, and customers who buy from such a company feel proud of the country's business and try to support it in every way.

In conclusion, we note that the formation of the modern business environment cannot ignore the factors of social interaction with stakeholders and organizations, which will introduce CSR principles into their activities. This process will evolve from state coercion through regulations and restrictions through state-business interaction and partnership to integrating CSR principles into daily activities at all levels. Assessment of the time limits and factors accelerating these processes will be the subject of further research.

### Resources

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